

FIRESTONE DIAMONDS PLC
Annual Report & Accounts 2009

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Firestone Diamonds plc
Annual Report & Accounts 2009

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

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Highlights 2009

Key statistics

Kimberlites in licence areas

95

Diamondiferous kimberlites
in licence areas

24

Exploration licenses

21,000 sq km

Increase in turnover in 2009

22%

2009 Developments

BK11 Kimberlite Project

- Inferred resource of 12 million tonnes defined containing approximately 830,000 carats
- High grade and diamond values recovered
 - potential revenue over \$20 million per annum at margins in excess of 50%
- Final phase of evaluation nearing completion
 - results to date in line with expectations
 - mine development decision on target to be made in Q4 2009
 - Environmental Impact Assessment recently approved, and mining lease application being readied for submission in Q4 2009
- Production could commence in mid 2010
 - development costs fully funded by proceeds of July 2009 placing

Jwaneng Tailings Project

- Selected as preferred bidder for tailings treatment project at the Jwaneng Mine in Botswana in February 2009
- Contract signing expected in Q1 2010 due to delays in finalising project financing structure
- Initial production of 2 million tonnes per annum targeted to commence in 2011

Tsabong Kimberlite Field

- Macrodiamonds recovered from five of six kimberlites sampled
- Good results from MK1 kimberlite
- 79 additional kimberlites to be evaluated
- Joint venture discussions continuing

Financial

- Revenue increased 22% to £4 million (2008: £3.3 million)
- Operating profit of £0.7 million before impairment charges (2008: Profit of £2.1m)
- South African alluvial assets fully impaired, resulting in £11.2 million charge for the year
- £5.0 million equity financing completed in July 2008
- £7.2 million equity financing completed in July 2009

Outlook

- Primary focus on development of a new mining operation at BK11 and concluding Jwaneng tailings contract in 2010
- Target development of Orapa satellite mining operation around BK16 and other Orapa kimberlites
- At advanced stage in negotiations for new kimberlites in the Orapa area
- In discussions on significant new toll treatment project
- Company well funded and confident about prospects in Botswana

The most active diamond explorer in Botswana

Operations in Botswana and South Africa

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 8%, compared to the global average of 1%.

Firestone is the largest holder of mineral rights in Botswana's kimberlite fields, with 21,000 square kilometres under license, covering the entire Tsabong kimberlite field and much of the areas around the major Orapa and Jwaneng mines. Firestone has 95 kimberlites in its license areas, of which 24 have been proven to be diamondiferous and 16 are at the bulk sampling stage.

The BK11 and BK16 kimberlites in the Orapa area are the most advanced in the portfolio. 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.

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 (36 out of 180), 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 projects 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. With most of Firestone's activities currently focused on Botswana, the Company is currently planning to sell or joint venture its South African assets.

8% of Botswana kimberlites are economic, which is the highest rate in the world

Orapa projects

BK11 advanced evaluation project – 80% Firestone
BK16 advanced evaluation project – Firestone earning 87.5%
7,000 sq km surrounding Orapa – 100% Firestone

Orapa field

- 8 out of 75 kimberlites economic
- Orapa Mine ~\$1B revenue p.a., ~70% margin
- New mine being developed at AK6

Martin's Drift field

- 5 out of 7 kimberlites economic

Tsabong project

7,000 sq km covering entire
kimberlite field
100% Firestone

Jwaneng project

6,000 sq km surrounding Jwaneng
100% Firestone

Botswana

Tsabong field

- 85 kimberlites; 19 diamondiferous
- Firestone evaluating

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

Gope field

- 1 out of 9 kimberlites economic
- Gem Diamonds updating feasibility
on G025

The most significant developments during the year were at BK11

Dear Shareholder,

We are pleased to report that Firestone continued to make good progress in the growth and development of its project portfolio during the past year. Activities were primarily focused on Botswana, which is the world's largest and lowest cost producer of diamonds. Firestone is the largest holder of diamond exploration rights in Botswana's kimberlite fields, with approximately 25,000 square kilometres now under license, and has 95 known kimberlites within its licence areas.

Overview

The most significant developments during the year were at BK11 in the Orapa area of Botswana, where evaluation results confirmed that the project has significant economic potential. The high grade areas identified at BK11 could produce annual revenues of over \$20 million per annum at operating margins of in excess of 50%. Subject to the results of the final phase of evaluation which is nearing completion, BK11 could be brought into production in mid 2010.

The Company's objective in the Orapa area will be to use a new mining operation at BK11 as the centre of a satellite mining operation that would exploit multiple kimberlites in the area. Evaluation work on the nearby BK16 kimberlite, which is believed to have similar potential to BK11, is planned to be undertaken in 2010. The Company has six other kimberlites in the Orapa area and is also at an advanced stage in negotiations in relation to a number of other kimberlites in the area which have been proven to be diamondiferous. The Company believes that it has the potential to develop a sizeable operation in the Orapa area based on BK11 and these other kimberlites.

The Company has continued to pursue new toll treatment opportunities, which are increasingly attractive in the current economic environment as a source of consistent and predictable revenue and cash flow. In February 2009, the Company announced that it had been selected by Debswana Diamond Company ("Debswana") to design, construct and operate a tailings plant at the Jwaneng Mine in Botswana on a toll treatment basis. Contract negotiations have not yet been concluded due to delays in finalising project financing structure, but are now at an advanced stage and expected to be concluded in Q1 2010, rather than Q4 2009. The Company is also in discussions in relation to another significant toll treatment project on which we expect to be able to provide more information to shareholders shortly.

Good results were obtained from bulk sampling carried out at Tsabong during the year. While the Company considers Tsabong to be one of the most attractive large scale diamond exploration and evaluation projects in the market and to have the potential to contain significant economic kimberlites, it was decided to focus the Company's resources on BK11 and toll treatment projects, and to seek a joint venture partner for Tsabong. A number of joint venture offers have been received, but not yet on terms acceptable to the Company, and discussions are continuing.

The past year has been a very challenging one for companies in the diamond mining and exploration sector and we believe that it is likely that many of the companies in our sector will not remain independent, due to continued scarcity of both debt and equity finance. In that context, the fact that Firestone successfully raised £7.2 million in July 2009 reflects the high quality of the Company's project portfolio and capability of our management team.

With finance now in place to fund the development of commercial mining operations on BK11, a number of exciting opportunities available to us and a significant shortfall in rough diamond supply projected in the coming years, we remain confident about Firestone's future prospects.

BK11, Botswana

Excellent progress was made on BK11, with approximately 2,300 metres of percussion, core and 36 inch large diameter drilling ("LDD") completed during the year. Independent modelling of grade and diamond values resulted in the definition of an inferred resource of 12 million tonnes containing approximately 830,000 carats and a diamond value of \$135/carat, which is a very high value for kimberlite production. With revenue estimates of between \$13 and \$17 per tonne for the KW zone, which is the area initially targeted for development, and with low operating costs in the Orapa area of approximately \$6.50 per tonne, the economic potential of BK11 looks very promising.

Final phase of evaluation under way

A pilot production plant and earthmoving equipment were relocated from the Company's operations in South Africa in May 2009 and are being used to carry out the final phase of evaluation on BK11. The objective of this phase is to recover a sufficiently large parcel of diamonds to obtain a high confidence diamond valuation. Grade and diamond quality from material processed to date have been in line with expectations, and the Company expects to be in a position to make a decision to commence mine development based on the results of this work in Q4 2009, subject to which production is expected to commence in mid 2010.

on preparing the production plant at the Company's Bonte Koe Mine in South Africa for relocation to BK11 is at an advanced stage and ahead of schedule.

The Environmental Impact Assessment for BK11 has recently been approved by the Department of Environmental Affairs. Discussions have also commenced with the Department of Mines in relation to a mining lease application, and it is expected that the application will be ready for submission by the end of 2009.

Jwaneng Tailings Project, Botswana

In February 2009, Firestone announced that it had been selected by Debswana as the preferred bidder to supply, construct and operate a modular tailings treatment plant at the Jwaneng Mine in Botswana on a toll treatment basis. Debswana is a joint venture between the Government of the Republic of Botswana and De Beers and is the world's leading diamond producer by value. Jwaneng is the largest diamond mine in the world by value and in 2008 produced approximately 13 million carats, with an estimated value of \$1.8 billion.

The Jwaneng plant is intended to serve as a pilot facility to demonstrate the economics and capability of the modular plant concept on the Jwaneng tailings resource, which is estimated to be in excess of 30 million tonnes. The plant is being designed by ADP Projects, with whom Firestone has a strategic alliance to jointly design, build and operate modular diamond tailings processing plants. Detailed design work commenced in April 2009 and is now at an advanced stage.

Firestone and Debswana have established a joint steering committee for the project to negotiate and agree detailed technical and commercial provisions for the project. While technical discussions in relation to the operating contract for the plant have reached an advanced stage, discussions with Debswana on structure of the financing that will be required for the project's estimated \$40 million capital cost have taken longer than anticipated. Although Debswana and Firestone have now agreed on the financing structure, the target date for finalising and signing an agreement has been delayed as a result from Q4 2009 to Q1 2010. Discussions have also progressed well with a number of interested lenders in relation to providing

debt financing for the project through a special purpose vehicle.

Based on contract rates from the Company's previous toll treatment operations in South Africa, the Directors anticipate that the Jwaneng tailings project has the potential to contribute approximately \$150 million in toll treatment revenue for the Company. The successful implementation of this project could potentially lead to the deployment by Firestone of similar plants to exploit additional tailings resources at Debswana's other mines at Orapa and Letlhakane. With the total tailings resources at Debswana's mines estimated to be approximately 300 million tonnes, the Directors estimate that they represent a very significant revenue opportunity for the Company.

BK16, Botswana

In June 2008, the Company entered into an agreement under which it can earn an 87.5% interest in the BK16 kimberlite, which is located 20 kilometres from BK11. The Company believes that BK16 has similar economic potential to BK11. BK16 was discovered by De Beers in the 1970's and a grade of 15 carats per hundred tonnes ("cph") was reported from bulk sampling. Diamonds recovered by the limited historical sampling carried out were predominantly high quality, white gemstones, which indicates that they are likely to have a high average value, possibly similar to BK11. The Company drilled three core holes on BK16 during the year for a total of 620 metres.

Based on a review of drilling and geophysical surveys undertaken on BK16, Company estimates indicate that it contains approximately 17 million tonnes of kimberlite to a depth of 200 metres. The Company plans to carry out evaluation and resource development work on BK16 in 2010. This work will comprise large diameter drill bulk sampling in order to provide an estimate of grade and diamond value, and will be undertaken after a mine development decision is made on BK11.

Tsabong, Botswana

Tsabong is the Company's biggest kimberlite exploration and evaluation project. It contains 85 known kimberlites, including the 180 hectare MK1 kimberlite which is one of the world's largest known diamondiferous kimberlites.

Mine development planning advancing

The Company has continued to advance its planning and preparations for the development of a commercial mining operation on BK11. The required development costs of approximately £5 million are fully financed from the proceeds of the share placing that was completed in July 2009.

Much of the infrastructure established to support the pilot production plant has been designed to support full scale mining operations. The mining equipment currently on site is expected to be sufficient to deliver the mine production target of 1.5 million tonnes per annum, and sufficient water supply and storage capacity is now in place to support commercial production. Work

Chairman's statement continued

Evaluation work at Tsabong during the year was focused on completion of LDD sampling on six of the fourteen high interest kimberlites that have been identified to date. Processing of these samples was completed in Q1 2009, with encouraging results. Macrodiamonds were recovered from five of the six kimberlites sampled, with MK1 producing 19 macrodiamonds, all clear, white gemstones, from one of the two LDD holes drilled. When combined with the recovery of 252 microdiamonds from core drilling, from which a macrodiamond grade estimate of 25 cpht was made, and analyses of indicator mineral chemistry, these results support the Company's belief that MK1 has significant economic potential. The recovery of six macrodiamonds from a small sample and a microdiamond grade estimate of 25 to 30 cpht from MK38 are also considered very encouraging.

With eight more high interest kimberlites awaiting bulk sampling, a further 71 kimberlites to evaluate and the likelihood of new discoveries being made with over 80 known geophysical drill targets, the Company continues to believe that the Tsabong kimberlite field has significant economic potential.

In December 2008 the Company announced that it intended to focus its resources on more advanced projects that were closer to cash flow, such as BK11, and that it would consider the introduction of a joint venture partner to finance further work on Tsabong. Interest in the project has been high and negotiations have been undertaken with a number of potential joint venture partners. A number of joint venture offers have been received, but not on terms acceptable to the Company and discussions are continuing. Should the Company not receive a joint venture offer that it considers acceptable, we will consider the alternative of continuing our own evaluation work at Tsabong once cash flow from the Company's Botswana operations allows.

South African Operations

During the first half of the year the Company's operations in South Africa were focused on the toll treatment joint venture with De Beers at the Bonte Koe Mine, which operated successfully at its target production capacity. At the beginning of 2009 De Beers elected to terminate the toll treatment agreement as a result of a decrease in diamond prices and an increase in mining costs. De Beers made a payment of approximately £2.3 million to the Company as compensation for early termination. The Bonte Koe plant and infrastructure are now being readied for relocation to BK11, subject to results from the final phase of evaluation work on the project.

With the Company's operations now focused primarily on kimberlite projects in Botswana, the Company carried out a review during the year of its South African alluvial diamond assets, which are considered to be non-core. The Company has been seeking to either sell or joint venture these assets, but due to the downturn in the diamond market over the past year, which has had a particularly severe impact on alluvial diamond producers, there is little interest in projects of this nature currently. While this position may change as the diamond market continues to recover, the Company has decided to make a full impairment provision in respect of its South African minerals rights.

Financial

Revenue for the year increased 22% to £4 million due to the termination payment from De Beers in relation to the Bonte Koe toll treatment project. The Company produced an operating profit of £0.7 million before impairment charges of £11.2 million related to its South African alluvial assets.

In July 2008 the Company raised £5 million from a share placement to finance exploration and evaluation expenditures in Botswana. In July 2009 the Company raised a further £7.2 million from a share placement to finance the development and commissioning of a mine at BK11, to undertake evaluation and resource development work at BK16, and to provide general working capital for the Company.

Diamond market

While prices for rough diamonds increased during the year and reached a record high in the first half of 2008, they subsequently fell by about 50% during the last quarter of 2008. This fall was primarily due to severe restrictions in credit availability to the rough diamond market, which caused very substantial drops in trading activity. Wholesale prices for polished diamonds fell by about 20% over the same period, reflecting a drop in retail demand in the major diamond jewellery markets and running down of inventories.

The major diamond producers, such as Debswana, De Beers and Alrosa, have made very significant cutbacks in their supply of rough diamonds to the market, and worldwide production in 2009 is expected to be approximately 35% lower than 2008. As a result of these actions, rough diamond prices have increased more than 30% from their recent lows. The Company continues to believe that the long term prospects for diamonds remain positive due to the projected significant long term shortfall in supply, and that diamond prices will continue to increase as the global economy recovers from recession.

James F Kenny
Chairman

12 November 2009

Botswana is the largest and lowest cost producer of diamonds

Project overview

BK11 Project

→ 8 hectare kimberlite

→ Located in centre of Orapa mining area

→ Revenue up to \$17/t and operating costs of \$6.50/t

→ Development decision to be made at the end 2009

BK11 kimberlite, Orapa, Botswana

The BK11 kimberlite is located in the Orapa kimberlite field in northern Botswana. With 8 economic kimberlites identified 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 kilometres north-west and 20 kilometres south-east of De Beers' Letlhakane and Orapa mines, respectively, and is within 5 kilometres of the proposed new mine at AK6. The surface area of BK11 is estimated to be 8 hectares, and overburden is shallow at less than 20 metres.

A total of 6,300m of core drilling and 9 large diameter drill holes have been completed on BK11. Independent modelling of grade and diamond values has resulted in the definition of an inferred resource of 12 million tonnes containing approximately 830,000 carats and a diamond value of \$135/carat, which is a very high value for kimberlite production. With revenue estimates of between \$13 and \$17 per tonne for the KW zone, which is the area initially targeted for development, and with

low operating costs in the Orapa area of approximately \$6.50 per tonne, the economic potential of BK11 looks very promising.

A pilot production plant and earthmoving equipment have been relocated from the Company's operations in South Africa to carry out the final phase of evaluation on BK11. The Company expects to be in a position to make a decision to commence mine development based on the results of this work by the end of 2009, subject to which production is expected to commence in mid 2010. Firestone owns an 80% interest in BK11.

BK11 development history

Exploration



Discovered by De Beers in 1974

Evaluation



Licence awarded to Firestone in 2007

Very good results from Phase 1 evaluation in June 2008 and Phase 2 evaluation in March 2009

Final phase of evaluation to be completed end 2009

Development



Environmental Impact Assessment approved in H2 2009

Mining lease application to be ready for submission by end 2009

Production

Subject to final phase of evaluation, production could commence in mid 2010

BK11 evaluation work

- 6,300m of core drilling
- 3 x 24" and 6 x 36" LDD holes
- 900 tonnes of kimberlite sampled
- High grades and diamond values in KW area (9-15 cpht and \$175/ct = \$16-26/t)

BK11 Geological Model

- Target economic zone 0-120 metres
- Internal geology and grade distribution well understood
- Contains high grade grain flow deposits, similar to Orapa and Damtshaa Mines

BK11 geological model and bulk sampling excavation

Project overview continued

Orapa Mine (Debswana)

BK16 and Orapa Projects

- Bulk sampling on BK16 to take place in 2010
- Licences cover 7,000 square kilometres
- Licences contain 9 kimberlites, 5 diamondiferous

BK16 kimberlite and Orapa exploration, Orapa, Botswana

BK16

Firestone has entered into an agreement with SouthernEra under which it can acquire an 87.5% interest in the BK16 kimberlite in return for carrying all costs to completion of bankable feasibility. BK16 is situated approximately 22 kilometres north east of BK11 and 12 kilometres north of the Letlhakane Mine. It was discovered by De Beers in the 1970's and a grade of 15 cpht was reported from bulk sampling.

Limited work has been carried out on BK16 since then, until SouthernEra acquired control of the project in 2007. SouthernEra has carried out high resolution ground geophysical surveys and drilled 19 core and percussion holes totalling approximately 2,300 metres. Based on this work, BK16 is estimated to be a minimum of 3.5 hectares in size and to contain approximately 17 million tonnes of kimberlite to a depth of

200 metres. Diamonds recovered by the limited sampling carried out by SouthernEra and others has recovered predominantly high quality, white gemstones, with few industrial diamonds. This indicates that diamonds from BK16 are likely to have a high average value, possibly similar to BK11. Firestone intends to carry out bulk sampling in 2010 in order to confirm representative grades and diamond values. Subject to the results of this work, a resource development programme would be carried out on BK16 similar to which has been undertaken on BK11.

Orapa Exploration

Firestone controls prospecting licences over an area of approximately 7,000 square kilometres in the Orapa region. These licences contain 8 known kimberlites, of which 4 have been proven to be diamondiferous. Firestone owns a 100% interest in these prospecting licences.

Jwaneng Project

- Covers 6,000 square kilometres
- Close to major Jwaneng Mine
- High resolution geophysics recently completed

Jwaneng, Botswana

Firestone holds prospecting licences over a total of approximately 6,000 square kilometres 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. The area covered by the Jwaneng prospecting licences has recently been surveyed for the first time using modern high resolution airborne and ground geophysical exploration techniques and is considered prospective for the discovery of new diamondiferous kimberlites. Firestone owns a 100% interest in these prospecting licences.

Project overview continued

Tsabong Project

- Covers 7,400 square kilometres and entire Tsabong field
- Contains 85 kimberlites, 18 diamondiferous
- Eighteen kimberlites discovered since November 2006
- Expect number of kimberlites in the Tsabong field to reach more than 100

Tsabong, Botswana

The Tsabong kimberlite field is located in south western Botswana, approximately 280 kilometres 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 7,400 square kilometres, and covers the entire Tsabong kimberlite field.

Tsabong is one of the largest diamondiferous kimberlite fields in the world, containing 85 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 5 kimberlites larger than 50 hectares and 32 kimberlites between 20 and 50 hectares in size.

Work at Tsabong has been primarily focused on 14 high interest kimberlites that were selected on the basis of diamond content, kimberlite indicator mineral ("KIM") chemistry and size. A programme of 22,000 metres of core and percussion drilling has been undertaken on these kimberlites to obtain material for detailed microdiamond, KIM chemistry and petrographic analyses. Bulk samples have been taken from six kimberlites.

Exploration at Tsabong is targeting approximately 80 well defined geophysical anomalies that have been identified by interpretation of aeromagnetic survey data over the area. The company expects the total number of kimberlites in the Tsabong area to reach more than 100, once exploration has been completed.

With rough diamond prices estimated to have tripled since the Tsabong field was discovered in the early 1980's, the threshold for economic viability is modest. A kimberlite in Tsabong with a 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.

Kimberlite	Area (ha)	Macrodiamond recovery	Microdiamond recovery	Other comments
MK 1	180	Y	Y	Very large size; 13% G10 garnets; microdiamond grade of 25 cpht
MK 31	75	NS	Y	Large size
MK 45 chemistry	25	N	N	4% G10 garnets; best KIM
MK 4	20	NS	Y	10% G10 garnets
MK 42	20	NS	Y	
MK 39	20	NS	Y	
MK 38	20	Y	Y	24% G10 garnets; best KIM chemistry; microdiamond grade of 25-30 cpht
MK 7	20	NS	N	Group 1 eclogitic garnets
MK 34	20	NS	Y	
MK 52	15	Y	Y	
MK 51	10	Y	Y	17% G10 garnets
MK 84 chemistry	10	Y	N	10% G10 garnets; best KIM
MK 65	10	NS	Y	Best diamond results
MK 48	10	NS	Y	

NS = not yet sampled
RP = Results pending

Project overview continued

Bonte Koe Mine

- Successful toll-treatment project for De Beers from 2006 to 2009
- Plant and infrastructure to be relocated to BK11 in Botswana
- Other toll treatment projects being pursued

Bonte Koe Mine, South Africa

The Bonte Koe mine covers an area of approximately 25 square kilometres 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 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.

From 2006 Firestone used the plant and infrastructure at Bonte Koe to process gravel mined by De Beers from deposits on the Buffels River adjacent to Bonte Koe on a toll-treatment basis. At the beginning of 2009 De Beers elected to terminate the toll treatment agreement as a result of a decrease in diamond prices and an increase in mining costs. The Bonte Koe plant and infrastructure are now being readied for relocation to the BK11 project in Botswana, subject to results from the final phase of evaluation work on the project.

Alluvial Mining and Exploration Projects

→ South Africa alluvial projects to be sold or joint ventured

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 sell or joint venture its alluvial projects in South Africa. While a number of discussions have been held with interested parties, no agreements have been concluded yet.

The most significant of these projects are the Groen River Valley exploration project, where prospecting has identified the palaeo river systems that 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, and the Oena Mine on the lower Orange River, which is located 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.

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 U.S., 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, Axeon 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.

Director

Mike Hampton holds 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.

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 (U.K.). 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 annual report and the audited financial statements for the year ended 30 June 2009.

Results and dividends

The Group made a loss after taxation of £10,991,279 (2008: a loss of £237,112). Further details are shown in the consolidated income statement on page 26.

The directors do not recommend a dividend (2008: nil).

Principal activities

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 the business

A detailed review of the business and future developments of the business is included within the Chairman's Statement.

Capital structure

At 1 July 2008 the Company's issued share capital comprised 55,849,841 Ordinary Shares of £0.20. On 8 July 2008 the Company issued a further 5,882,353 Ordinary Shares of £0.20 at an issue price of £0.85. The share capital of the Company on 30 June 2009 comprised 61,732,194 Ordinary Shares of £0.20.

On 24 July 2009 the Company issued a further 35,873,480 Ordinary Shares of £0.20 at an issue price of £0.20. The issue raised £7,174,696 before expenses. The net proceeds of the share issue are to be used to develop and commission a mine at BK11, commence resource development at BK16 and provide general working capital for the Company.

At 22 October 2009 the Company has been notified of the following interests in the issued Ordinary Share capital:

	2009 Shares	2009 %
JP Morgan Asset Management	9,824,536	10.07
Blenheim Trust Company Limited	7,450,000	7.63
Aurora International Investments Limited	7,200,000	7.38
AXA SA	5,781,018	5.92
Gartmore Investment Limited and Gartmore Fund Managers Limited	4,745,028	4.86

Directors

The directors who served during the year were as follows:

J. F. Kenny	Chairman
P. Kenny	Chief Executive Officer
M. J. Hampton*	Director
J. Kenny jnr*	Director
H. C. D. Jenner-Clarke	Director
W. D. Baxter	Director

* Member of the remuneration committee.

Directors' interests in the Company

Director	2009 Interest in equity shares Number	2009 Interest in options Number	2008 Interest in equity shares Number	2008 Interest in options Number
J. F. Kenny	505,765	700,000	505,765	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
H. C. D. Jenner-Clarke	586,057	700,000	586,057	700,000
W. D. Baxter	10,000	–	10,000	–

Principal risks and uncertainties

Business risks

The business of diamond exploration and mining has a number of inherent risks. These risks include the Group failing to identify economically viable diamond deposits at its exploration and evaluation projects and the possible failure to produce the expected tonnage and grade or diamond quality at the Group's mining and processing operations. The Board is aware of these risks and regularly reviews technical progress at all of the Group's projects in order to identify and manage these risks in the most effective manner.

Environmental and other regulatory requirements

The Group endeavours to comply with the environmental regulations and policies of the areas in which it operates. Where necessary the Group establishes rehabilitation provisions to reflect current legislation within the areas in which it operates.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. No assurance can be given that new rules and regulations will not be enacted or existing legislations will not be applied in a manner which could limit or curtail the Group's activities.

Financial risks

The Company is exposed to a number of different currency risks between the Rand, U.S. Dollar, Sterling and Pula. The Group values and sells its diamonds in U.S. Dollars, but proceeds of sale are received in Rand. The Group has also received revenues in Rand from a toll treatment contract with De Beers. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the U.S. 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 Company takes out suitable insurance against operational risks that are anticipated as being material.

The Group's borrowings are all subject to a floating rate of interest and taken out in Rand and Pula. 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 instruments and financial risk management objectives and policies are set out in note 30 of the financial statements.

Key Performance Indicators ("KPIs")

Given the nature of the business, the cessation of South African exploration and processing operations, and that the Group is in the early phase of exploration, evaluation and development of its kimberlite projects in Botswana, the directors are of the opinion that analysis using financial KPIs is not appropriate for an understanding of the development, performance or position of the business at this time. However, the directors constantly review the planned exploration and evaluation expenditure and general operating costs to ensure that cash resources are available prior to commitment to this expenditure.

	2009 £000	2008 £000
Cash and cash equivalents at the year-end	1,019	381

As outlined in the Capital structure section above the Company raised approximately £7.2 million before expenses from the issue of new Ordinary Shares on 24 July 2009 to fund projected evaluation and development expenditures in Botswana.

In addition to the above, the Board also considers non-financial factors such as the Group's compliance with Corporate Governance Standards and compliance with environmental, rehabilitation and other legislation within the Group's areas of operations.

Post-balance sheet events

There are no significant post-balance sheet events other than the issue of new Ordinary Shares as explained above.

Policy and practice on the payment of creditors

The policy of the Group is to settle supplier invoices within the terms and conditions of trade agreed with individual suppliers. At the year-end the Group had an average of nine days (2008: 49 days) purchases outstanding and the Company an average of 92 days (2008: 82 days).

Political and charitable donations

The Group made no charitable donations or political donations in the year (2008: nil).

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.

Auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the Company's auditors were unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

A resolution to reappoint PKF (U.K.) LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

Corporate governance

Internal financial control

The Group operates a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board. The Board has responsibility for the effectiveness of the internal financial control framework. Such a system can only provide reasonable and not absolute assurance against material misstatement. The Group does not currently have, nor considers there is currently a need for, an internal audit function.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

Directors' report continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and 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.

Annual General Meeting

Notice of the Annual General Meeting of the Company for 2009 is on page 54.

On behalf of the Board

Philip Kenny
Director
12 November 2009



Independent auditors' report to the members of Firestone Diamonds plc

We have audited the consolidated financial statements of Firestone Diamonds plc for the year ended 30 June 2009 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion;

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jason Homewood (Senior statutory auditor)

for and on behalf of PKF (U.K.) LLP, Statutory auditors
London, U.K.

12 November 2009

Consolidated income statement

For the year ended 30 June 2009

	Note	2009 £000	2008 £000
Revenue	3	4,034	3,309
Changes in inventories		–	(110)
Raw materials and consumables used		(170)	(603)
Employee costs	7	(801)	(1,198)
Amortisation and depreciation		(640)	(972)
Impairment of mineral rights and mining properties	6	(8,773)	(2,167)
Impairment of goodwill	16	(2,473)	–
Other operating expenses		(1,728)	(1,328)
Gain on sale of investments	12	–	3,030
Loss on disposal of derivative financial instruments	13	–	(65)
Operating loss	5	(10,551)	(104)
Financial income	10	117	134
Finance expense	11	(324)	(326)
Loss before tax		(10,758)	(296)
Taxation	14	(233)	59
Loss after tax for the year attributable to equity shareholders		(10,991)	(237)
Basic loss per share	15	(17.9)p	(0.4)p
Diluted loss per share	15	(17.9)p	(0.4)p

The notes on pages 33 to 53 form part of these financial statements.

Consolidated balance sheet

For the year ended 30 June 2009

	Note	2009 £000	2008 £000
Assets			
Non-current assets			
Goodwill	16	–	2,058
Intangible mining assets	17	15,485	10,832
Property, plant and equipment	18	8,771	12,008
Deferred tax asset	27	–	247
		24,256	25,145
Current assets			
Inventories	20	29	312
Trade and other receivables	21	586	1,345
Cash and cash equivalents	23	1,019	381
		1,634	2,038
Total assets		25,890	27,183
Equity and liabilities			
Equity			
Share capital	24	12,346	11,170
Share premium		22,768	19,278
Merger reserve		(1,076)	(1,076)
Translation reserve		(703)	(5,021)
Accumulated losses		(12,905)	(2,257)
Total equity attributable to equity holders of the parent		20,430	22,094
Non-current liabilities			
Interest-bearing loans and borrowings	26	1,864	1,861
Deferred tax	27	–	37
Provisions	28	188	200
		2,052	2,097
Current liabilities			
Interest-bearing loans and borrowings	26	1,137	775
Trade and other payables	29	1,361	1,642
Current tax liabilities		–	9
Provisions	28	910	566
		3,408	2,992
Total equity and liabilities		25,890	27,183

The financial statements were approved by the Board of Directors and authorised for issue on 12 November 2009.

Philip Kenny
Director
Company Registration Number 3589905



The notes on pages 33 to 53 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2009

	Share capital £000	Share premium £000	Merger reserve £000	Fair-value reserve £000	Translation reserve £000	Accumulated losses £000	Total equity £000
At 1 July 2007	11,158	19,182	(1,076)	2,947	(2,134)	(2,584)	27,493
Loss for the year	-	-	-	-	-	(237)	(237)
Deferred tax on net investment in subsidiary	-	-	-	-	-	271	271
Translation of foreign subsidiaries	-	-	-	-	(2,887)	-	(2,887)
Sale of available-for-sale investments	-	-	-	(2,947)	-	-	(2,947)
Total income and expense recognised in equity in the year	-	-	-	(2,947)	(2,887)	271	(5,563)
Total recognised income and expense in the year	-	-	-	(2,947)	(2,887)	34	(5,800)
Shares issued in year	12	96	-	-	-	-	108
Share-based payment adjustment	-	-	-	-	-	293	293
At 30 June 2008	11,170	19,278	(1,076)	-	(5,021)	(2,257)	22,094
At 1 July 2008	11,170	19,278	(1,076)	-	(5,021)	(2,257)	22,094
Loss for the year	-	-	-	-	-	(10,991)	(10,991)
Translation of foreign subsidiaries	-	-	-	-	4,318	-	4,318
Total income and expense recognised in equity for the year	-	-	-	-	4,318	-	4,318
Total recognised income and expense in the year	-	-	-	-	4,318	(10,991)	(6,673)
Shares issued in year	1,176	3,824	-	-	-	-	5,000
Share issue expenses	-	(334)	-	-	-	-	(334)
Share-based payment adjustment	-	-	-	-	-	343	343
At 30 June 2009	12,346	22,768	(1,076)	-	(703)	(12,905)	20,430

The notes on pages 33 to 53 form part of these financial statements.

The following describes the nature and purpose of each reserve within owners' equity.

Share capital	Amount subscribed for shares at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Amounts arising from the merger of subsidiary investments.
Fair-value reserve	Amounts attributable to the change in fair-value of available-for-sale financial assets.
Translation reserve	Gains/(losses) arising on retranslating the net assets and net income of overseas subsidiary companies denominated in foreign currencies into Sterling.
Accumulated losses	Cumulative profit/(loss) of the Group attributable to equity shareholders.

Consolidated cash flow statement

For the year ended 30 June 2009

	Note	2009 £000	2008 £000
Cash flow from operating activities			
Loss before taxation		(10,758)	(296)
Adjustments for:			
Depreciation, amortisation and impairment		11,791	3,139
Effect of foreign exchange movements		894	(284)
Interest payable		323	326
Equity-settled share-based payment		343	293
Loss on sale of derivative financial instruments		-	64
Profit on sale of investment in shares		-	(3,030)
Loss on sale of property, plant and equipment		-	17
Net cash flow from operating activities before changes in working capital		2,593	229
Decrease/(increase) in inventories		26	(36)
Decrease in trade and other receivables		737	918
(Decrease)/increase in trade and other payables		(322)	360
Increase/(decrease) in provisions		180	(280)
Net cash flow generated from operating activities		3,214	1,190
Investing activities			
Payments for property, plant and equipment		(1,268)	(1,506)
Payments for non-current intangible assets		(5,635)	(4,084)
Costs capitalised within non-current intangible assets		-	(955)
Payments to settle liability arising on derivative financial instruments		-	(726)
Proceeds from sale of investment in shares		-	5,621
Net cash flow from investing activities		(6,903)	(1,650)
Financing activities			
Issue of Ordinary Shares		5,000	108
Share issue expenses		(334)	-
Proceeds from long-term borrowings		900	238
Proceeds from lease finance arrangements		-	48
Repayment of long-term borrowings		(905)	(336)
Repayment of lease finance		(11)	(9)
Interest paid		(323)	(326)
Net cash flow from/(used in) financing activities		4,327	(277)
Net increase/(decrease) in cash and cash equivalents in the year		638	(737)
Cash and cash equivalents at the beginning of the year		381	1,119
Cash and cash equivalents at the end of the year	23	1,019	381

The notes on pages 33 to 53 form part of these financial statements.

Company balance sheet

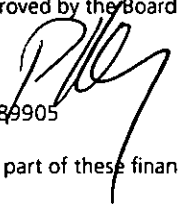
For the year ended 30 June 2009

	Note	2009 £000	2008 £000
Assets			
Investment in subsidiaries	19	34,097	29,598
Current assets			
Trade and other receivables	21	–	3
Cash and cash equivalents	23	250	13
		250	16
Total assets		34,347	29,614
Equity and liabilities			
Equity			
Share capital	24	12,346	11,170
Share premium		22,768	19,278
Accumulated losses		(948)	(968)
Total equity attributable to equity holders of the parent		34,166	29,480
Current liabilities			
Trade and other payables	29	181	134
		181	134
Total equity and liabilities		34,347	29,614

The financial statements were approved by the Board of Directors and authorised for issue on 12 November 2009.

Philip Kenny
Director

Company Registration Number 3589905



The notes on pages 33 to 53 form part of these financial statements.

Company statement of changes in equity

For the year ended 30 June 2009

Attributable to equity shareholders of the Company

	Share capital £000	Share premium £000	Accumulated losses £000	Total £000
At 1 July 2007	11,158	19,182	(611)	29,729
Loss for the year recognised in income and expense	–	–	(650)	(650)
Total recognised income and expense for the year	–	–	(650)	(650)
Share-based payment adjustment recognised in equity	–	–	293	293
Shares issued in year	12	96	–	108
At 30 June 2008	11,170	19,278	(968)	29,480
At 1 July 2008	11,170	19,278	(968)	29,480
Loss for the year recognised in income and expense	–	–	(323)	(323)
Total recognised income and expense for the year	–	–	(323)	(323)
Share-based payment adjustment recognised in equity	–	–	343	343
Shares issued in year	1,176	3,824	–	5,000
Share issue expenses	–	(334)	–	(334)
At 30 June 2009	12,346	22,768	(948)	34,166

The notes on pages 33 to 53 form part of these financial statements.

Company cash flow statement

For the year ended 30 June 2009

	Note	2009 £000	2008 £000
Cash flow from operating activities			
Loss before taxation		(323)	(650)
Adjustments for:			
Equity-settled share-based payment		343	293
Loss on sale of derivative financial instruments		-	64
Net cash flow from operating activities before changes in working capital		20	(293)
Decrease in trade and other receivables		3	189
Increase/(decrease) in trade and other payables		47	(47)
Net cash flow generated from/(used in) operating activities		70	(151)
Investing activities			
Investment in subsidiary companies		(4,499)	(1,086)
Payments to settle liability arising on derivative financial instruments		-	(726)
Net cash flow used in investing activities		(4,499)	(1,812)
Financing activities			
Issue of Ordinary Shares		5,000	108
Share issue expenses		(334)	-
Net cash flow from financing activities		4,666	108
Net increase/(decrease) in cash and cash equivalents in the year		237	(1,855)
Cash and cash equivalents at the beginning of the year		13	1,868
Cash and cash equivalents at the end of the year	23	250	13

The notes on pages 33 to 53 form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2009

1 Basis of preparation and accounting policies

These consolidated financial statements of Firestone Diamonds plc have been prepared in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively "IFRSs") as adopted for use in the European Union and as issued by the International Accounting Standards Board and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Companies Act s408 exception

The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Group profit for the year included a loss on ordinary activities after tax of £323,053 (2008: £650,512) in respect of the Company which is dealt with in the financial statements of the Company.

Standards, amendments and interpretations to published standards not yet effective

At the date of authorisation of these consolidated financial statements, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of these consolidated financial statements:

- IAS 1: Presentation of Financial Statements (Revised 2008) (effective as of 1 January 2009).
- IAS 23: Borrowing Costs (Revised 2008) (effective as of 1 January 2009).
- IAS 27: Consolidated and Separate Financial Statements (Amended) (effective as of 1 July 2009).
- IFRS 2: Share-Based Payments: Vesting conditions and Cancellations (Amended) (effective as of 1 January 2009).
- IFRS 3: Business Combinations (Revised) (effective as of 1 July 2009) includes an amendment to the treatment of minority interests (renamed non-controlling interests), amendments to the calculation of goodwill, a change to the method of accounting for acquisitions in stages, amendment to the accounting for contingent consideration and changes to the recognition and measurement of certain assets and liabilities.
- IFRS 8: Operating Segments (effective as of 1 January 2009).
- IFRIC Interpretation 12: Service Concession Arrangements (effective as of 1 January 2009).
- IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1 July 2009).
- IFRIC Interpretation 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1 July 2009).
- IFRIC Interpretation 15: Agreements for the Construction of Real Estate (effective as of 1 January 2009 – not yet endorsed by the EU).
- IFRIC Interpretation 16: Hedges of a Net Investment in a Foreign Operation (effective as of 1 October 2009).
- IFRIC Interpretation 17: Distributions of non-cash assets to owners (effective 1 July 2009, not yet endorsed by the EU).
- IFRIC Interpretation 18: Transfers of assets from customers (effective 1 July 2009, not yet endorsed by the EU).
- Amendments to IAS32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for beginning on or after 1 January 2009).
- Amendments to IFRS1 and IAS27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009).
- Eligible Hedged Items (Amendment to IAS 39 Financial Instruments: Recognition and Measurement). Entities shall apply the amendment retrospectively for annual periods beginning on or after 1 July 2009. This amendment is still to be endorsed by the EU.

The directors anticipate that the adoption of these standards and interpretations will not have a material impact on the Group's financial statements in the period of initial adoption with the exception of IAS23: Borrowing Costs (Revised) which will require interest incurred in respect of long-term development projects to be capitalised within the relevant project and of IFRS 3: Business Combinations (Revised), which will require transaction costs arising on business combinations to be expensed to the income statement as opposed to the existing treatment of capitalisation, in the event that acquisitions are undertaken.

Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The results of subsidiaries have been included from the date of acquisition using the purchase method of accounting.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. All subsidiaries have a year end of 30 June 2009 with the exception of Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk which has a year-end of 31 March 2009. There were no material adjustments arising in the period 1 April 2009 to 30 June 2009.

Minority interests represent the portion of profit or loss and net assets not held by the Group. Profits and losses attributable to the minority interest are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses attributable to the minority interest are not included as part of shareholders' equity unless there is a binding agreement whereby the minority is obliged to make good their share of the losses incurred.

Notes to the financial statements continued

For the year ended 30 June 2009

1 Basis of preparation and accounting policies continued

Merger accounting

In accordance with the exemption in IFRS 1, where merger accounting has been used for the relevant acquisition in years prior to the transition date to IFRS of 1 July 2006, the accounting method used for the relevant acquisition has not been restated.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Where the fair value of consideration paid exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired the resulting difference is classified as goodwill and presented as a non-current intangible asset. Where the fair value of consideration paid is lower than the fair value of identifiable assets, liabilities and contingent liabilities acquired the difference is taken to the income statement. Goodwill arising from business combinations is assessed for impairment annually.

The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Where the value of a business combination increases as a result of the purchase of all or part of a minority interest in an existing subsidiary, the purchase method as set out above is applied proportionately to the increase in investment as set out above. The relevant proportion of the results of the acquired operations is included in the Consolidated income statement from the date of the relevant acquisition.

Exploration, evaluation and development expenditure

Exploration and evaluation costs related to an area of interest are carried forward as an intangible asset in the balance sheet where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale. Where these conditions are not met, such costs are written off as incurred. This expenditure is carried at cost less accumulated amortisation and impairment.

Development expenditure incurred by or on behalf of the Group or acquired from a third party is also classified as an intangible asset and is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises acquisition cost and other incurred cost directly attributable to the construction of a mine and the related infrastructure. This expenditure is carried at cost less accumulated amortisation and impairment.

Exploration, evaluation and development expenditure is categorised under mining licenses, deferred exploration and development costs and exploration data and prospecting rights in the balance sheet according to the nature of the expenditure. Exploration and development costs include all directly attributable expenditure together with the relevant depreciation on plant and equipment utilised within the project.

Once a development decision has been taken, the carrying amount of the exploration, evaluation and development expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as "mining property" with property, plant and equipment.

No amortisation is recognised in respect of exploration, evaluation and development expenditure until it is reclassified as a 'mining property'.

Exploration, evaluation and development expenditure and mining property is tested for impairment annually if facts and circumstances indicate that impairment may exist. Exploration, evaluation and development expenditure is also tested for impairment once commercial reserves are found, before the assets are transferred to mining property.

Identifiable exploration, evaluation and development assets acquired as part of a business combination are recognised as assets at their fair value, as determined by the requirements of IFRS3, Business Combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition is accounted for in accordance with the policy outlined above.

Licences

License rights acquired are amortised over the period of the licence to exploit such rights, typically five to 15 years. Provision is made for any impairment in value, and the provision is reviewed on an annual basis.

Decommissioning and site rehabilitation

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and local regulatory requirements. These provisions are subject to regular review.

Decommissioning and site rehabilitation costs arising from exploration, evaluation and development activity or from the installation of plant and other site preparation work are provided when the obligation to incur such costs arises and are capitalised as a separate category in the balance sheet. These costs are charged against profits through amortisation or impairment of the asset. Amortisation and impairment is included in operating costs.

1 Basis of preparation and accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life.

Mining equipment	– 3 to 10 years
Production plant and equipment	– units of production method
Office equipment	– 3 to 10 years
Motor vehicles	– 3 to 5 years
Other assets	– 3 to 10 years.

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement. The expected useful economic life of tangible fixed assets is reviewed annually.

Investments in subsidiaries

Fixed asset investments in subsidiary undertakings are shown at cost less provisions for impairment in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials and consumables – purchase cost on a first in, first out basis.

Finished goods – the value of cut and uncut diamonds has been determined by reference to market values at 30 June 2009 and 30 June 2008 respectively less an anticipated margin.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investment in financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Notes to the financial statements continued

For the year ended 30 June 2009

1 Basis of preparation and accounting policies continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Trade and other debtors

Trade and other debtors arise from normal commercial sales within the Group. These are recognised at invoice value adjusted for any allowance for impairment. Impairment and any reversal is recognised in profit or loss.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group's loans and receivables include cash and cash equivalents. These include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in either fair-value through profit and loss or loans and other receivables. After initial measurement, available-for-sale financial assets are measured at fair-value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Financial liabilities

The Group classifies its financial liabilities as:

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated "as at fair value through profit or loss". After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

These are initially recognised at invoiced value. These arise principally from the receipt of goods and services. There is no material difference between the invoiced value and the value calculated on an amortised cost basis.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. Revenue arising from the provision of services is recognised when and to the extent that the Group obtains the right to consideration in exchange for the performance of its contractual obligations.

Share-based payment transactions

Certain employees (including directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees, for awards granted after 7 November 2002 that had not vested by 1 July 2006, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 25.

1 Basis of preparation and accounting policies continued

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease rentals are charged to income in equal annual amounts over the lease term.

Group as a lessor

The Group owns and has operated a processing plant in South Africa designed to process diamondiferous ore. The plant was leased to a De Beers subsidiary which had exclusive rights to the plant. Revenues were "toll based" dependent primarily on the tonnage of ore processed. Group revenues include the toll income received. Group operating costs include all costs of operating the plant. The plant is included in the Group's balance sheet as non-current property, plant and equipment. As explained in note 3 De Beers terminated the toll agreement in the year. Subsequent to this termination the processing plant has been moved to Botswana for use in the Group's operations in that country.

Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling which is the presentation currency for the Group and Company financial statements. The functional currency of the Company is Pound Sterling.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in the income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Pound Sterling using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and where material are transferred to the Group's translation reserve.

Foreign currency movements arising from the Group's net investment in subsidiary companies whose functional currency is not Pounds Sterling are recognised in the translation reserve, included within equity until such time as the relevant subsidiary company is sold, whereupon the net difference relating to this disposal is transferred to profit and loss.

Pensions

The Group makes payments on behalf of employees to defined contribution pensions schemes. These are charged to the income statement or capitalised where appropriate on an accruals basis. The Group does not operate any defined benefit pension schemes or similar arrangements.

Notes to the financial statements continued

For the year ended 30 June 2009

1 Basis of preparation and accounting policies continued

Taxation

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company or different Group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Operating profit and loss

Operating profit and loss comprises revenues less operating costs. Operating costs comprise adjustments for changes in inventories, raw materials and consumables used, employee costs, amortisation, depreciation and impairment and other operating expenses.

2 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Valuation of goodwill and exploration, evaluation and development expenditure, mining property and mining equipment.

The value of the Group's goodwill and exploration, evaluation and development expenditure, mining property and mining equipment is dependent upon the success of the Group in discovering economic and recoverable diamond resources. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the U.S. Dollar, the Rand, the Pula and Sterling, and potential new legislation and related environmental requirements.

(ii) Share-based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 25.

(iii) Rehabilitation provisions

The Group makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in South Africa and Botswana, technical reports and estimates provided by the Group's senior employees and advisors. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.

(iv) Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may impact our estimates and may then require a material adjustment to the carrying value of goodwill, tangible assets and intangible assets.

The Group reviews and tests the carrying value of tangible and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

2 Critical accounting estimates and judgements continued

The carrying values of both tangible and intangible assets that are supported through a contract with a single customer are at risk in the event of termination. In the event of termination of that contract there may be an impairment on either the tangible or intangible level or both as the cash flows that are recoverable through the capital repayment as noted in the contract may not support the full recovery of these assets.

Expected future cash flows used to determine the value in use of goodwill, tangible and intangible assets are inherently uncertain and could materially change over time.

3 Revenue

An analysis of the Group's revenue and income is as follows:

	2009 £000	2008 £000
Lease and contractual receipts for use of processing plant	1,680	3,057
Sale of other goods and services	10	252
Revenue arising from normal operations	1,690	3,309
Termination receipts arising from cessation of toll operating agreement	2,344	–
Total revenues	4,034	3,309

All revenues are derived from South African operations. The processing plant is owned and operated by African Star Minerals (Proprietary) Limited which was operated to the exclusive benefit of a De Beers subsidiary under the terms of a toll treatment contract based upon the tonnage of material processed. In the year De Beers terminated the contractual arrangements and paid a termination payment to reflect future contractual lease revenues foregone by the Group.

4 Segmental analysis

A segment is a distinguishable component of the Group that is engaged in providing products or services in a particular business sector (business segment) or in providing products or services in a particular economic environment (geographic segment), which is subject to risks and rewards that are different in those other segments. The Group operated in the year in one segment, diamond mining, exploration and development, and in one principal geographic area – Southern Africa. Operations in South Africa and Botswana are considered to be linked operations.

The Group does also conduct business within the U.K. including the ad hoc raising of funds, subsequently passed to subsidiary companies, and incurring of expenditure in relation to the Company's activities as a holding company. None of this activity is considered to be significantly different to the principal activity of the Group within the Southern African region.

5 Operating loss

	2009 Group £000	2008 Group £000
Operating loss for the year is stated after charging:		
Amortisation of intangible assets (note 17)	131	240
Depreciation of property, plant and equipment (note 18)	509	733
Impairment of goodwill (note 16)	2,473	–
Impairment of South African mineral rights (note 6)	8,773	2,167
Employee costs (note 7)	801	1,198
Foreign exchange gains	–	(285)
Hire of property, plant and equipment	120	132
Share-based payments (note 25)	60	29
Auditors' remuneration (note 9)	46	61

6 Exceptional charges included within operating loss

During the year the Group recognised full impairment of the value of deferred exploration and development expenditure and mining properties in respect of its South African operations where exploration, development and mining operations have been discontinued. This exercise has resulted in a full impairment charge of £8,773,000 (2008: £2,167,000) being made for the year.

The Group has also recognised the full impairment of its goodwill, all of which arises from investments in South Africa (see note 16).

Notes to the financial statements continued

For the year ended 30 June 2009

7 Staff numbers and costs

The average number of persons, including executive directors, were:

	2009 Number Group	2008 Number Group
Operations	61	101
Administration	12	14
	73	115

Staff costs for the above persons, include the directors. There are no Company employees other than the directors.

	2009 Group £000	2008 Group £000
Wages and salaries	1,179	1,809
Social security costs	10	9
Pension costs	45	42
Other staff benefits	81	293
	1,315	2,153
Amounts capitalised in intangible assets	(514)	(955)
	801	1,198

8 Directors' emoluments:

Directors' emoluments for the period that each individual served as a director were as follows:

	2009 £000	2008 £000
Salaries and fees	343	464

The emoluments of the highest-paid director were £243,000 (2008: £242,500). The Group is currently in the process of establishing a defined contribution pension scheme in accordance with existing contractual arrangements.

9 Auditors' remuneration

	2009 Group £000	2008 Group £000
Fees payable for the audit of the Group's financial statements	25	24
Fees payable for taxation services	10	31
Fees payable for other services	6	6
	46	61

10 Financial income

	2009 Group £000	2008 Group £000
Interest receivable	117	134

11 Finance expense

	2009 Group £000	2008 Group £000
Interest payable on loans	290	322
Interest payable on finance leases	34	4
	324	326

During the year, finance costs of £144,000 (2008: £49,000) were capitalised as part of deferred exploration and development costs relating to mining properties in Botswana.

12 Gain on sale of investments

	2009 Group £000	2008 Group £000
Sale of shares	–	3,030

13 Loss on disposal of derivative financial instruments

	2009 Group £000	2008 Group £000
Loss on disposal	–	65

14 Taxation

	2009 Group £000	2008 Group £000
Current tax	–	59
Deferred tax	(233)	–
Total tax for the year	(233)	59

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of U.K. corporation tax to the loss before tax is as follows:

Factors affecting tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the U.K. of 28% (2008: 29.5%).

	2009 £000	2008 £000
Loss before tax	(10,758)	(296)
Tax on loss at standard rate of 28% (2008: 29.5%)	(3,012)	(87)
Income not taxable	(307)	(1,057)
Expenses not deductible for tax purposes	991	–
Adjustments to deferred tax not recognised	1,211	1,008
Other differences	1,350	(194)
Deferred tax debited/(credited) to reserves	–	(271)
	233	(59)
Total tax analysed as:		
Income statement charge	233	(59)
Credited to reserves	–	(271)
Total tax charge/(credit)	233	(330)

Factors that may affect the future tax charge

Deferred tax has not been provided in full in respect of temporary differences relating primarily to revenue losses, losses on derivative financial instruments and investment in property, plant and equipment as there is insufficient evidence that the benefit of the losses will be recovered. The potential deferred tax asset has been calculated based on a U.K. tax rate of 28% as applicable as from 1 April 2008. The tax charge in the future will be affected by the rate at which the Group generates profits and by the utilisation of existing losses.

15 Loss per share

The calculation of the basic loss per share is based upon the net loss after tax attributable to ordinary shareholders of £10,991,000 (2008: loss of £237,000) and a weighted average number of shares in issue for the year of 61,329,293 (2008: 55,793,360).

Post year end the Group issued new equity totalling 35,873,480 Ordinary Shares of £0.20 each. The loss per share when this is taken into consideration would be £0.11.

Diluted loss per share

The diluted loss per share in 2009 and 2008 is the same as the basic loss per share as the losses have an anti-dilutive effect.

Post year end the Group issued new equity totalling 35,873,480 Ordinary Shares of £0.20 each. The diluted loss per share when this is taken into consideration would be £0.11.

Notes to the financial statements continued

For the year ended 30 June 2009

16 Goodwill

	2009 Group £000	2008 Group £000
Cost		
At 1 July	2,058	2,058
Exchange difference	415	-
At 30 June	2,473	2,058
Impairment		
At 1 July	-	-
Recognised in the year	(2,473)	-
At 30 June	(2,473)	-
Net book value at 30 June	-	2,058

Goodwill arose entirely from the Group's investments in South Africa. Goodwill has been assessed for impairment in accordance with the Group's accounting policies (note 1) at 30 June 2009 using the Group's total operations in South Africa as these are managed as a single business operation and the individual operations are not separable. As explained in note 6 the Group has ceased all mining operations in South Africa and considers the goodwill to be fully impaired.

17 Intangible mining assets

	Deferred exploration and development 2009 Group £000	Exploration data and prospecting rights 2009 Group £000	Provision for rehabilitation costs 2009 Group £000	Mining licences 2009 Group £000	Total 2009 Group £000
Cost					
At 1 July 2007	8,651	615	125	230	9,621
Additions	5,013	-	26	-	5,039
Exchange difference	(1,268)	(148)	(12)	-	(1,428)
At 30 June 2008	12,396	467	139	230	13,232
Additions	5,731	-	-	-	5,731
Exchange difference	1,418	53	12	-	1,483
At 30 June 2009	19,545	520	151	230	20,446
Amortisation and impairment					
At 1 July 2007	-	-	31	-	31
Charge for the year	215	-	25	-	240
Exchange difference	(30)	-	(8)	-	(38)
Impairment charges	2,167	-	-	-	2,167
At 30 June 2008	2,352	-	48	-	2,400
Charge for the year	131	-	-	-	131
Exchange difference	410	-	11	-	421
Impairment charges	1,917	-	92	-	2,009
At 30 June 2009	4,810	-	151	-	4,961
Net book value at 30 June 2009	14,735	520	-	230	15,485
Net book value at 30 June 2008	10,045	467	90	230	10,832
Net book value at 1 July 2007	8,651	615	94	230	9,590

The Group's intangible mining assets include significant projects in Botswana. These projects are in the exploration and evaluation phase and production together with the related amortisation of these assets has not yet commenced.

Operations in South Africa were suspended during the year. These assets have been assessed for impairment in accordance with the Group's accounting policies (note 1) at 30 June 2009 using estimated recoverable sale values. Impairment identified, which has arisen solely within the South African operations, has been charged to profit and loss as indicated above. Net book value as at 30 June 2009 comprises only intangible assets held in Botswana. Additions in the year include allocated depreciation in respect of property, plant and equipment of £95,540 (2008: £20,016) all of which related to Botswana.

18 Property, plant and equipment

	Exploration and development 2009 Group £000	Mining property 2009 Group £000	Mining equipment 2009 Group £000	Plant and equipment 2009 Group £000	Motor vehicles 2009 Group £000	Total 2009 Group £000
Cost						
At 1 July 2007	6,061	469	606	7,293	315	14,744
Additions	–	–	196	1,175	135	1,506
Disposals	–	–	–	–	(23)	(23)
Exchange difference	(538)	(23)	(1)	(824)	(55)	(1,441)
At 30 June 2008	5,523	446	801	7,644	372	14,786
Additions	–	–	–	1,242	26	1,268
Transfer from inventory	–	–	–	257	–	257
Disposals	–	–	–	(10)	(48)	(58)
Transfer	(640)	–	–	303	337	–
Exchange difference	1,110	90	161	1,467	67	2,895
At 30 June 2009	5,993	536	1,116	10,903	754	19,302
Depreciation						
At 1 July 2007	353	70	261	1,336	156	2,176
Charge for the year	–	–	5	646	82	733
Disposals	–	–	–	–	(7)	(7)
Exchange difference	(31)	(6)	–	(70)	(17)	(124)
At 30 June 2008	322	64	266	1,912	214	2,778
Charge for the year	–	–	9	416	84	509
Disposals	–	–	–	(19)	(39)	(58)
Exchange difference	(223)	(7)	192	494	82	538
Impairment charges	5,894	456	414	–	–	6,764
At 30 June 2009	5,993	513	881	2,803	341	10,531
Net book value at 30 June 2009	–	23	235	8,100	413	8,771
Net book value at 30 June 2008	5,201	383	534	5,733	157	12,008
Net book value at 1 July 2007	5,708	399	345	5,957	159	12,568

Motor vehicles include vehicles held under finance leases with a net book value of £39,869 (2008: £40,879). Moveable plant and equipment amounting to £1,482,993 (2008: £321,808) is secured against interest-bearing borrowings. Active mining properties in South Africa have been fully impaired following the cessation of exploration and development activities in that country (note 17). Certain items of plant and machinery and specialist motor vehicles have been reallocated to plant and equipment and motor vehicles respectively.

19 Investment in subsidiary companies

	2009 Company £000
At 1 July 2007	28,512
Additions	1,086
At 30 June 2008	29,598
Additions	4,499
At 30 June 2009	34,097

Notes to the financial statements continued

For the year ended 30 June 2009

19 Investment in subsidiary companies continued

At 30 June 2009, the Company held 100% (2008: 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 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) Limited	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 Group's South African subsidiaries are subject to exchange control approval in that country.

20 Inventories

	2009 Group £000	2008 Group £000
Raw materials and consumables	–	283
Cut and uncut diamonds held for sale	29	29
	29	312

21 Trade and other receivables

	2009 Group £000	2008 Group £000	2009 Company £000	2008 Company £000
Trade receivables	–	777	–	–
Other receivables	586	437	–	3
Prepayments	–	131	–	–
	586	1,345	–	3

There were no trade and other receivables that were past due or considered to be impaired. The trade and other receivables balances are categorised as loans and other receivables. There is no significant difference between the fair-value of the trade and other receivables and the values stated above.

22 Available-for-sale investments

	2009 Group £000	2008 Group £000
At 1 July	–	5,538
Disposals	–	(5,538)
At 30 June	–	–

The available-for-sale investments comprised Ordinary Share holdings in African Diamonds plc and West African Diamonds plc. All holdings were sold in 2008.

23 Cash and cash equivalents

	2009 Group £000	2008 Group £000	2009 Company £000	2008 Company £000
Cash at bank and in hand net of bank overdrafts	1,019	381	250	13

Cash deposits of £178,630 (2008: £210,062) included above are linked to bonds in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa (note 28). There is no material foreign exchange movement in respect of cash and cash equivalents. There is no significant difference between the fair-value of the cash and cash equivalents and the values stated above.

24 Share capital

	2009 Group and Company Number	2008 Group and Company £000
Authorised		
Ordinary Shares of 20p each	99,750,000	19,950
Redeemable preference shares of £1 each	49,998	50
	99,800,008	20,000
Allotted, called up and fully paid		
Ordinary Shares of 20p each		
At 1 July 2007	55,791,445	11,158
Issued in the year on exercise of options	58,936	12
At 1 July 2008	55,849,841	11,170
Issued in the year by a placing of shares	5,882,353	1,176
At 30 June 2009	61,732,194	12,346

Firestone Diamonds Limited, a subsidiary company, has advanced funds to the Group's Employee Share Trust of £108,181. The Employee Share Trust holds 308,351 Ordinary Shares in Firestone Diamonds Plc. These shares have not been allocated to any employee.

25 Equity-settled share option schemes

The Group and Company issue equity-settled share-based payments to employees and directors. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group and Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Group and Company operate two share option schemes: a Basic Share Option Scheme and a Performance Related Share Option Scheme. 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 Group and Company.

In the year, the exercise price of share options issued under the Group and Company's share option schemes, with the exception of those issued to directors was repriced to reflect the fall in the Company's share price and to ensure that the options continue to fulfil their objective of motivating, retaining and rewarding key employees. The increase in fair-value of these options was recalculated at the date of repricing and the increased charges of £80,663 are included within the charge for the year.

The inputs into the Black-Scholes model for the share option plans for 2008 and for share options not modified in 2009 are as follows:

	2009	2008
Weighted average share price	136p	136p
Weighted average option exercise prices	96p	96p
Expected volatility	43%	43%
Expected option life	5 years	5 years
Risk-free interest rate	4.9%	4.9%
Expected dividend yield	Nil	Nil

Notes to the financial statements continued

For the year ended 30 June 2009

25 Equity-settled share option schemes continued

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.

The inputs into the Black-Scholes model for the share option plans for the share options modified in 2009 are as follows:

	2009	2008
Weighted average share price	14p	–
Weighted average option exercise prices	20p	–
Expected volatility	43%	–
Expected option life	2 years	–
Risk-free interest rate	3%	–
Expected dividend yield	Nil	–

The calculation of the volatility of the share price was based on the Company's daily closing share price over the period from 13 February 2009 to 30 June 2009 but adjusted to reflect the historic norm as for the previous options issued as this is considered of greater effect at the Group's current stage of development. The vesting period for the repriced options is two years from the date of grant. No options are assumed to be exercised early.

Details of the total share options outstanding in respect of the Basic Share Option Scheme and the Performance Related Share Option Scheme during the year are as follows:

	2009	2009	2008	2008
	Number	Weighted	Number	Weighted
	of share	average	of share	average
	options	exercise	of share	exercise
		price	options	price
		pence		pence
Outstanding at beginning of year	11,465,000	57	10,990,000	54
Granted during the year	–	–	560,000	117
Exercised during the year	–	–	(85,000)	58
Cancelled in the year	(150,000)	87	–	–
Outstanding at the end of the year	11,315,000	56	11,465,000	57
Exercisable at the end of the year	2,720,000	59	10,753,333	51

The options exercisable at 30 June 2009 have an exercise price in the range of 20p to 77p (2008: 33p to 148p) and a weighted average contractual life of 2.36 years (2008: 7.16 years). There were no options exercised in the year.

	Group	Group
	2009	2008
	£000	£000
Charge for the year in profit and loss	60	29
Charge for the year capitalised in Intangible Mining Assets	283	264
Total charge for the year	343	293

	Company	Company
	2009	2008
	£000	£000
Charge for the year in profit and loss	60	29
Charge for the year allocated to subsidiary companies	283	264
Total charge for the year	343	293

25 Equity-settled share option schemes continued

As at 30 June 2009, options granted under the Basic Share Option scheme were outstanding over a total of 3,570,000 (2008: 3,720,000) ordinary shares as follows:

Date of grant	Exercise period	Share options held at 30/6/09	Share options held 30/6/08	Exercise price (pence)
25/02/2000	25/2/01 to 25/2/10	1,360,000	1,360,000	76.5
22/07/2002	22/7/03 to 22/7/12	–	40,000	66.5
18/12/2003	18/12/04 to 18/12/13	20,000	20,000	20.0
08/04/2004	8/4/05 to 8/4/14	1,000,000	1,000,000	20.0
22/12/2004	22/12/05 to 22/12/14	500,000	500,000	20.0
04/04/2006	4/4/07 to 4/4/16	–	10,000	148.0
13/09/2006	13/9/07 to 13/9/16	95,000	195,000	20.0
30/04/2007	30/4/08 to 30/4/17	35,000	35,000	20.0
06/12/2007	06/12/08 to 06/12/17	60,000	60,000	20.0
19/12/2007	19/12/08 to 19/12/17	150,000	150,000	20.0
15/01/2008	15/01/09 to 15/01/11	200,000	200,000	20.0
22/01/2008	22/01/09 to 22/01/11	150,000	150,000	20.0
		3,570,000	3,720,000	

As at 30 June 2009, options granted under the Performance Related Share Option Scheme were outstanding over a total of 7,745,000 (2008: 7,745,000) ordinary shares as follows:

Date of grant	Exercise period	Share options held at 30/6/09	Share options held 30/6/08 (pence)	Exercise price (pence)
08/04/2003	8/4/04 to 8/4/13	1,085,000	1,085,000	20.0
09/01/2004	9/1/05 to 9/1/14	2,400,000	2,400,000	20.0
21/01/2004	21/1/05 to 21/1/14	1,360,000	1,360,000	41.0
08/04/2004	8/4/05 to 8/4/14	2,000,000	2,000,000	20.0
03/08/2004	3/8/05 to 3/8/14	250,000	250,000	20.0
03/05/2005	3/5/06 to 3/5/15	650,000	650,000	20.0
		7,745,000	7,745,000	

Share option settlement scheme

In order to minimise the share capital dilution that would arise on the exercise of options, the Company has implemented 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 at 30 June 2009 at the closing share price on 30 June 2009 of 30.5p per share was 8,595,000 shares (2008: closing share price of 144p per share, dilutive shares 4,414,462 respectively).

Long-term incentive plan

The Company has established 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. The Company intends to replace the LTIP with a different scheme in the year to 30 June 2010.

Notes to the financial statements continued

For the year ended 30 June 2009

26 Interest-bearing loans and borrowings

	Non-current Group £000 2009	Non-current Group £000 2008
Bank loans	1,841	1,830
Obligations under finance leases	23	31
	1,864	1,861
	Current Group £000 2009	Current Group £000 2008
Bank loans	1,125	766
Obligations under finance leases	12	9
	1,137	775

Bank loans are secured by a first charge over the plant and machinery comprising the Toll Treatment plant formerly at Buffels and a first bond of ZAR 5,000,000 (£386,512) over the assets of the Company's subsidiary company African Star Minerals (Proprietary) Limited. The Company and certain of its subsidiary companies have entered into subordination agreements and other suretyships in respect of intra-group indebtedness to a maximum of ZAR 25,000,000 (£1,932,561) in African Star Minerals (Proprietary) Limited and ZAR 40,000,000 (£3,092,098) in Surf Zone Diamonds (Proprietary) Limited.

The fair-value of interest-bearing borrowings is shown in note 30.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced. Amounts shown for debt include both capital repayments and related interest calculated at year-end rates.

	Effective interest rate	Group Total £000 2009	Group Current £000 2009	Group 1- 2 years £000 2009	Group 2-3 years £000 2009
Cash and cash equivalents	2.50%	1,019	1,019	-	-
First National Bank of Botswana	16.50%	(1,288)	(581)	(403)	(304)
WesBank Botswana	16.50%	(46)	(18)	(18)	(10)
WesBank South Africa	13.00%	(396)	(164)	(137)	(95)
ABSA	13.00%	(2,085)	(800)	(681)	(604)
		(3,815)	(1,563)	(1,239)	(1,013)

27 Deferred tax

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

	2009 Group £000	2008 Group £000	2009 Company £000	2008 Company £000
Included in non-current assets	-	(247)	-	-
Included in non-current liabilities	-	37	-	-
	-	(210)	-	-

27 Deferred tax continued

	At 1 July 2008 Group £000	Movement in year Group £000	At 30 June 2009 Group £000
Accelerated capital allowances	167	(167)	-
Other temporary differences	(114)	114	-
Deferred exploration costs	(1,905)	1,905	-
Foreign exchange differences	40	(40)	-
Tax losses	2,022	(2,022)	-
	210	(210)	-

The directors do not anticipate that accumulated reserves of overseas subsidiaries at 30 June 2009 will be remitted to the UK in the foreseeable future. Accordingly, no provision has been made for deferred tax on these balances. The Group has unrecognised tax losses of approximately £4.9 million.

28 Provisions

	Rehabilitation costs 2009 Group £000	Directors' emoluments 2009 Group £000	Total 2009 Group £000
At 1 July 2007	831	214	1,045
Released in the year	(55)	-	(55)
Utilised in the year	-	(214)	(214)
Exchange difference	(10)	-	(10)
At 30 June 2008	766	-	766
Released in the year	(27)	-	(27)
Raised in the year	246	188	434
Utilised in the year	(227)	-	(227)
Exchange difference	152	-	152
At 30 June 2009	910	188	1,098
Disclosed as:			
Non-current	-	188	188
Current	910	-	910
	910	188	1,098

In 2009 a provision amounting to £188,000 for directors' remuneration, contingent upon the satisfying of certain performance obligations was raised. In 2008 an element of directors' remuneration was withheld subject to certain performance and liquidity constraints and brought forward from 2007 was paid, the necessary conditions were satisfied in that year.

The following cash deposits are linked to bonds held by subsidiaries in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa.

	Rand value	Sterling value
African Star Minerals (Proprietary) Limited	156,864	12,126
Asam Resources SA (Proprietary) Limited	962,778	74,425
Kuboes Diamante (Proprietary) Limited	500,000	38,651
Surf Zone Diamonds (Proprietary) Limited	691,155	53,428
	2,310,797	178,630

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. With the cessation of mining operations in South Africa the provision for rehabilitation is raised as a current liability. The deferred assets which arise have not been recognised. The cost of all other provisions has been expensed in the year or in prior years.

Notes to the financial statements continued

For the year ended 30 June 2009

29 Trade and other payables

	2009 Group £000	2008 Group £000	2009 Company £000	2008 Company £000
Trade payables	106	1,237	–	–
Tax and social security	960	2	–	–
Other payables	69	8	–	–
Accruals	226	73	181	134
	1,361	1,642	181	134

Amounts due to related parties are set out in note 34. The directors consider that there is no material difference between the book values and fair values of trade and other payables.

30 Financial instruments

In common with other businesses, the Group and Company (the "Group") is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1 and the critical accounting estimates and judgements are set out in note 2.

Substantive changes to the Group's exposure to interest-bearing indebtedness are disclosed in note 26.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	2009 £000	2008 £000
Group		
Trade and other receivables	586	1,345
Cash and cash equivalents	1,019	381
Trade and other payables	(1,361)	(1,642)
Interest-bearing loans and borrowings	(3,001)	(2,636)
Company		
Trade and other receivables	–	3
Cash and cash equivalents	250	13
Trade and other payables	(181)	(134)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated part of the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board retained full control over the Group's past investments in quoted securities and associated derivative financial instruments. The Board receives reports from financial personnel through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk arises principally from the Group's and Company's trade and other receivables and cash and cash equivalents. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements as shown below.

	2009 Group £000	2008 Group £000	2009 Company £000	2008 Company £000
Trade and other receivables	586	1,345	–	3
Cash and cash equivalents	1,019	381	250	13
	1,605	1,726	250	16

30 Financial instruments continued

The Group's principal trade and other receivables arose from the contracted operating plant contract in South Africa. This contract was with a subsidiary of the De Beers group. Following the termination of this agreement the Group's exposure to credit risk has been significantly reduced. The recoverability of all amounts shown is expected without material adjustment.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with acceptable credit ratings and government support where applicable.

Liquidity risk

Liquidity risk arises from the Group's and Company's management of working capital and the amount of funding committed to its diamond exploration, evaluation and mine development programmes. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group and Company arise in respect of the ongoing exploration, evaluation and development programmes, trade and other payables and the servicing of interest-bearing debt. Trade and other payables are all payable within six months.

As noted in the Directors' Report, the Company raised £7,174,696 before expenses through the issue of new equity capital on 24 July 2009 to ensure that the Group had sufficient funds to continue with its ongoing operations. Further information in respect of the Group's interest-bearing indebtedness is disclosed in note 26.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

Interest rate risk

The Group and the Company are exposed to interest rate risk in respect of interest-bearing loans and borrowings which are variable rate instruments. The Group and Company are also exposed to interest rate risk in respect of surplus funds held on deposit. The Board does not currently undertake hedging arrangements in respect of its interest-bearing borrowings.

Interest rate table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit or loss before tax (through the impact on floating rate borrowings) and cash flows. There is no impact on the Group's equity.

	Change in rate	2009 £000	Change in rate	2008 £000
Sterling equivalent	-0.5%	15	-0.5%	13
	-1.0%	30	-1.0%	26
	-1.5%	45	-1.5%	39
Sterling equivalent	+0.5%	(15)	+0.5%	(13)
	+1.0%	(30)	+1.0%	(26)
	+1.5%	(45)	+1.5%	(39)

Fair-value of financial liabilities

	2009 Group £000	2008 Group £000
Bank loans	(2,979)	(2,674)
Trade and other payables	(1,361)	(1,651)
	(4,340)	(4,325)

The fair value of the bank loans has been calculated at 30 June 2009 as the interest rate is variable bank base rate plus a margin which management consider reflects current interest rates and current spreads for the entity. There is no difference between the fair-value and book-value of trade and other payables. The same process was adopted for the 2008 analysis.

Currency risk

The Group does not currently enter into forward exchange contracts or otherwise hedge its potential foreign exchange exposure.

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. Long-term Group loans to South African and Botswana subsidiary companies are considered to be part of the net investment by the Group in those subsidiaries.

Notes to the financial statements continued

For the year ended 30 June 2009

30 Financial instruments continued

The Company is exposed to a number of different currency risks between the Rand, U.S. Dollar, Sterling and Pula. The Group values and sells its diamonds in U.S. Dollars, but proceeds of sales are received in Rand. The Group also received its revenues from the Toll Treatment Plant, wholly utilised by De Beers until termination of the toll agreement (note 3), in Rand. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the U.S. 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.

As at 30 June 2009 the Group held no monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2008: Nil).

The Group holds substantial assets, comprising mining properties and property, plant and equipment in Botswana and South Africa. Accordingly the Group is exposed directly or will benefit from exchange rate fluctuations between Pounds Sterling and the Botswana Pula and the South African Rand in respect to these assets held by the Group. The effect on profit and loss is not significant as current ongoing expenditures are incurred in respect of the Group's exploration and evaluation activities and are capitalised as intangible assets.

At 30 June 2009 the effect of a significant movement in the above exchange rates would have the following effect on the net assets and net equity of the Group.

	Intangible mining assets £000	Property, plant and equipment £000
Botswana		
Base currency: Pula		
Current balance sheet value	15,255	9
Sterling depreciates by 5%	763	47
Sterling depreciates by 10%	1,525	95
Sterling appreciates by 5%	(763)	(47)
Sterling appreciates by 10%	(1,525)	(95)
South Africa		
Base currency: Rand		
Current balance sheet value	–	7,561
Sterling depreciates by 5%	–	378
Sterling depreciates by 10%	–	756
Sterling appreciates by 5%	–	(378)
Sterling appreciates by 10%	–	(756)

Capital

The Group considers its capital and reserves attributable to equity shareholders to be the Group's capital. In managing its capital, the Group's primary long-term objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital needs. The Group's mining exploration and development activities are at an early stage and management considers that no useful target debt to equity gearing ratio can be identified at this time.

Details of the Group and Company capital are disclosed in the Group and Company statement of changes in equity and in note 24.

There have been no other significant changes to the Group's management objectives, policies and processes in the year nor has there been any change in what the Group considers to be capital.

31 Operating lease commitments

	2009 Plant and machinery Group £000	2008 Plant and machinery Group £000
Within one year	143	132
Between one and two years	144	89
Between two and five years	14	67

The Company had no operating lease commitments at 30 June 2009 (2008: Due within one year £3,750).

32 Post-balance sheet events

On 24 July 2009 the Company issued a further 35,873,480 Ordinary Shares of £0.20 at an issue price of £0.20. The issue raised £7,174,696 before expenses. The net proceeds of the share issue are to be used to develop and commission a mine at BK11, commence resource development at BK16 and provide general working capital for the Company.

33 Capital commitments

There were no capital commitments outstanding at June 2009 for the Group or the Company.

34 Related-party transactions

At 30 June 2009 the amount of unpaid fees specific to individual Directors was: H. Jenner-Clark £7,920 (2008: nil), J. F. Kenny £12,548 (2008: £1,026) and J. Kenny jnr £43,365 (2008: £23,365). In 2009 there were sums of £187,992 (2008: nil) potentially due to directors dependent upon certain conditions being met. The Group has advanced funds to its Employee Share Trust of £108,181.

Companies in which H. C. D. Jenner-Clark has an interest provided goods and services to the Group amounting to £nil (2008: £5,109).

Key management personnel received the following emoluments and provided good and services to the Group through companies in which they have an interest in the year:

	2009 £000	2008 £000
Salary and fees	258	404
Share-based payments	343	293
Provision of goods and services to the Group	465	533
	1,066	1,230

In the year the Company increased its investment in Firestone Diamonds Limited by £4,499,454 (2008: £1,086,171) to provide funds for onward investment in the Group's operations in the Southern Africa region. Firestone Diamonds Limited increased its funding to Group companies within the Southern Africa region by £2,801,804 (2008: £518,852). Details of the Company's subsidiary undertakings are shown in note 19 above. As explained in note 4 above the Group operated in the year in one segment, diamond mining, exploration and development and in one principal geographic area – Southern Africa. Operations in South Africa and Botswana are considered to be linked operations and intra-group indebtedness between the Group's subsidiaries is not meaningful to an understanding of the Group's operations in that region.

During the year the following amounts were invoiced for goods and services between operations in Southern Africa. All amounts invoiced were on normal commercial terms. All goods and services provided are classified as operating expenses.

	2009 £000	2008 £000
Invoiced from:		
Oena Mine (Proprietary) Limited	254	144
Surf Zone Diamonds (Proprietary) Limited	534	452
Asam Resources SA (Proprietary) Limited	223	147
	1,011	743

The Company provided various subordinations on the inter-group loans as disclosed in note 26.

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 15 December, 2009 at 12 noon for the following purposes:

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 30 June 2009, 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. D Baxter, 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, in substitution for all existing authorities, the directors be generally and unconditionally authorised to exercise all the powers of the company to allot shares pursuant to section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal amount of £10,000,000 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 shares to be allotted after expiry of this authority and the directors may allot shares in pursuance of that offer or agreement.
5. That, in substitution for all existing authorities and subject to the passing of resolution 4 above, the directors be generally authorised pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act), pursuant to the authority conferred by that resolution as if section 561(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 £6,000,000.

By Order of the Board
P Kenny
12 November 2009

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, speak and vote instead of him. The proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
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 (excluding weekends and public holidays). 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 noon, 13 December 2009 (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.
4. A vote withheld option is provided on the Form of Proxy to enable you to instruct not to vote on any resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of votes "for" and "against" a resolution.
5. To change your proxy instructions simply submit a new proxy appointment form using the methods set out above. Note that the cut-off time for receipt of a proxy appointment (see above) shall also apply in relation to any amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
6. As at 5.00 p.m. on 12 November 2009 the Company's issued share capital comprised 97,605,674 ordinary shares of 20p each ("Ordinary Shares") and 49,998 redeemable preference shares of £1 each ("Redeemable Preference Shares"). Each ordinary share carries the right to one vote at a general meeting of the Company, the Redeemable Preference Shares do not carry any voting rights. Therefore, the total number of voting rights in the Company as at 5.00 p.m. on 12 November 2009 is 97,605,674.

Form of Proxy – Firestone Diamonds plc

For use at the Annual General Meeting to be convened for 12 noon, 15 December, 2009.

I/We _____
(BLOCK CAPITALS)

of _____

being (a) member(s) of the above named Company hereby appoint the Chairman of the Meeting or _____
(see Note 2) as my/our proxy to attend, speak and 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 15 December, 2009 at 12 noon 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, 2009, 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 D Baxter 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 5 and 7)

Notes:

1. A member entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. The proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. 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.
3. If you wish you may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. To appoint more than one proxy please photocopy this form indicating on each copy the name of the proxy and the number of shares in respect of which the proxy is appointed. All forms must be signed and should be returned in the same envelope.
4. To be valid, the completed Form of Proxy must be lodged with the Company not less than 48 hours (excluding weekends and public holidays) before the time fixed for holding the Meeting.
5. In the case of a corporation, the Form of Proxy should be signed under the common seal or under the hand of a duly authorised officer or attorney.
6. A proxy need not be a member of the Company.
7. 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.
8. Completion of this Form of Proxy will not prevent a member from attending the Meeting and voting in person should he/she so wish.
9. Any alterations made to this Form of Proxy should be initialled.

