

DATED

15 JULY

2008

FIRESTONE DIAMONDS PLC

- and -

CANACCORD ADAMS LIMITED

-and -

BLUE OAR SECURITIES PLC

PLACING AGREEMENT



foxwilliams

Fox Williams LLP, Ten Dominion Street, London EC2M 2EE

T: +44 (0)20-7628 2000 F: +44 (0)20-7628 2100

mail@foxwilliams.com | www.foxwilliams.com

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15 July

BETWEEN:

- (1) **FIRESTONE DIAMONDS PLC** a company registered in England and Wales (registered no. 3589905) whose registered office is at 1 Park Row, Leeds, LS1 5AB (the "Company");
- (2) **CANACCORD ADAMS LIMITED** a company registered in England and Wales (registered number 2814897) whose registered office is at Cardinal Place, 80 Victoria Street, 7th Floor London, SW1E 5JL ("Canaccord"); and
- (3) **BLUE OAR SECURITIES PLC** a company registered in England and Wales (registered number 02617599) whose registered office is at 3rd Floor, 30 Old Broad Street, London, EC2N 1HT ("Blue Oar").

INTRODUCTION

- (A) As at the date of this Agreement the Company has an authorised share capital of £20,000,000 divided into 99,750,010 Ordinary Shares of 20p each and 49,998 redeemable preference shares of £1 each of which 55,849,841 Ordinary are in issue fully paid. In addition, an aggregate of 13,465,000 Ordinary Shares are subject to options/warrants or other rights to subscribe for or convert into Ordinary Shares.
- (B) In reliance on the various warranties, undertakings and indemnities contained in this Agreement and subject to the conditions contained in this Agreement, Canaccord and Blue Oar have agreed to act as agents for the Company and to use their respective reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.
- (C) Application is proposed to be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM.

IT IS AGREED as follows:

1 INTERPRETATION

- 1.1 In this Agreement and the Recitals, unless the context otherwise requires, the following expressions shall have the following meanings:

"Accounts"	means the audited consolidated accounts of the Company for the financial period ended on the Accounts Date together with the notes and the directors' and auditors' report thereon;
"Accounts Date"	means 30 June 2007;
"Act"	means the Companies Act 1985, as amended by the Companies Act 1989 or repealed and replaced by the Companies Act 2006 to the extent such statute is in force at the date of this Agreement;

“Admission”	means the admission of the Placing Shares to AIM becoming effective in accordance with the AIM Rules;
“AIM Rules for Companies”	the AIM Rules for Companies (including, without limitation, any guidance or notes or statements of practice) published by the London Stock Exchange from time to time which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM, as amended from time to time;
“AIM Rules”	the AIM Rules for Nominated Advisers and the AIM Rules for Companies;
“AIM”	means AIM, a market operated by the London Stock Exchange;
“Application”	means the application made by the Company to the London Stock Exchange for the Admission;
“Armstrongs”	means Armstrongs of 5 th Floor, Barclays House, Khama Crescent, Gaborone, Botswana;
“Associate”	means a person, company or trust who is considered “family” within the meaning of the AIM Rules for Companies or who is an associate (as defined in paragraph (c) of the definition of “related party” in the AIM Rules for Companies);
“BK16 Agreements”	means (i) the sale agreement entered into between Firestone Diamonds Limited, SouthernEra International and Kenrod dated 25 June 2008 and (ii) the agreement entered into between Firestone Diamonds Limited and Mr H Gibbons and Mr W Gibbons dated 18 June 2008 pursuant to which the Group has a legal right to acquire an eighty seven and a half per cent (87.5%) interest in Kenrod (which in turn holds one hundred per cent (100%) of the BK16 Licence) in consideration for carrying all costs to completion of bankable feasibility and a cash payment of £60,000;
“BK16 Licence”	means prospecting licence number 003/2005 covering the area located in the Orapa kimberlite field, Botswana;
“Blue Oar’s Group”	means Blue Oar, its subsidiary undertakings, its parent undertakings and any other subsidiary undertakings of its parent undertaking;
“Business Day”	means a day on which dealings take place on the London Stock Exchange;

"Canaccord's Group"	means Canaccord, its subsidiary undertakings, its parent undertakings and any other subsidiary undertakings of its parent undertaking;
"Claim"	any claim, action, demand or proceedings (whether or not successful, compromised or settled);
"Collins Newman & Co"	means Collins Newman & Co of Dinatla Court Plot 4863, P.O. Box 882, Gaborne, Botswana;
"Company's Solicitors"	means Lawrence Graham LLP, 4 More London Riverside, London, SE1 2AU;
"Conditions"	means the Conditions contained in Clause 2.1;
"Contract Notes"	means the contract notes to be sent to Placees;
"CREST"	means the settlement system of which CRESTCo is the Operator;
"CRESTCo"	means CRESTCo Limited, a company incorporated in England and Wales being the Operator of CREST;
"Dangerous Substance"	means any waste, substance (whether in solid or liquid or gaseous form and either alone or in combination with any other, waster, substance or article) which is likely to cause harm to human health or the environment;
"Directors"	means all of the directors of the Company for the time being;
"Edward Nathan Sonnenbergs"	means Edward Nathan Sonnenbergs of 1 North Wharf Square, Loop Street Foreshore, Cape Town 8001, South Africa;
"Engagement Letter"	means the letter from Canaccord and Blue Oar to the Company dated 7 July 2008 confirming the scope of the engagement of Canaccord and Blue Oar in relation to the Placing;
"Environmental Law"	means all statutes, common law, bylaws, regulations, directives, codes of practice, circulars, guidance and notices concerning the protection of the environment or the generation, transportation, storage, treatment or disposal of Dangerous Substances whether in Botswana or elsewhere;
"Environmental Licence"	means any permit, licence, authorisation, consent or other approval required by any Environmental Law;
"Existing Ordinary Shares"	means the Ordinary Shares in issue at the date of

	this Agreement;
“FSA Handbook”	means the Handbook of rules and guidance issued by the FSA as amended;
“FSA”	means the Financial Services Authority;
“FSMA”	means the Financial Services and Markets Act 2000, as amended;
“Group Company”	means any company in the Group;
“Group”	means the Company and its subsidiary undertakings from time to time and “member of the Group” shall be construed accordingly;
“Indemnified Persons”	means Canaccord, Blue Oar, each member of Canaccord’s Group and each member of Blue Oar’s Group and the directors, officers, employees of Canaccord and the directors, officers, employees of Blue Oar, each of whom shall be an “Indemnified Person” for the purposes of this Agreement;
“Kenrod”	means Kenrod Engineering Services (Proprietary) Limited a company incorporated in Botswana under registration number C099/594;
“Legal Opinions”	means the legal opinions from (i) Armstrongs dated 9 July 2008 (ii) SimonetteLewis dated 14 July 2008 (iii) Collins Newman & Co. dated 15 July 2008 and (iv) Edward Nathan Sonnenbergs dated 9 July 2008 in each case addressed to the Company, Canaccord and Blue Oar;
“Licences”	means the licences held by the Group particulars of which are set out in Schedule 4;
“London Stock Exchange”	means London Stock Exchange plc;
“Operator”	has the meaning ascribed to it in the Regulations;
“Ordinary Shares”	means ordinary shares of 20p each in the capital of the Company;
“Placees”	means persons who agree conditionally to subscribe for the Placing Shares pursuant to the Placing in the UK;
“Placing”	means the placing of the Placing Shares by Canaccord and Blue Oar on the terms and subject to the conditions of this Agreement;
“Placing Price”	means 85 pence per Placing Share;

“Placing Shares”	means up to 5,882,353 Ordinary Shares which are to be placed to institutional investors pursuant to the Placing;
“Presentation”	means the presentation in the agreed terms for use by the Company in the marketing of the Placing to institutional investors in the UK;
“Press Announcement”	means the press announcement in the agreed form relating to the Placing to be released on completion of the Placing;
“Prospectus Rules”	means the rules expressed to relate to transferable securities as defined in section 73A(4) of FSMA and published by the FSA from time to time;
“Registrars”	means Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0IA;
“Regulations”	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
“Regulatory Information Service”	has the meaning ascribed to it in the AIM Rules;
“SimonetteLewis”	means SimonetteLewis of Unit Two, Mill Mall Road Town, Tortola, British Virgin Islands;
“SouthernEra International”	means Southern International Limited a company incorporated in accordance with the laws of the Cayman Islands under registry number 91353;
“Taxation”	means any form of taxation whenever created or imposed and whether of the UK, or elsewhere and, without prejudice to the generality of the foregoing, includes income tax, corporation tax, advance corporation tax, capital gains tax, value added tax, inheritance tax, stamp duty, stamp duty reserve tax, withholding tax, rates, customs and excise duties, National Insurance and any other taxes, levies, duties or imposts similar to, replaced by or replacing any of them and all penalties, fines and interest included in or relating to any tax assessment therefor, regardless of whether such taxes, penalties, charges and interest are directly or indirectly or primarily chargeable against or attributable to any Group Company or any other person, firm or company;
“Unaudited Financial Statements”	means the unaudited financial statements of the Group for the six (6) month period ended 31 December 2007;

“UK”	means the United Kingdom;
“VAT”	means UK Value Added Tax;
“Verification Notes”	means the verification notes prepared for the purposes of confirming the accuracy of the information contained in the Presentation, in the agreed terms, together in each case with the index of documents supporting the statements contained in the Presentation respectively and the bundle of documents to which each such index relates;
“Warranties”	means the warranties given by the Company pursuant to clause 7.1 and Schedule 1; and
“Warranty Certificate”	means the certificate from the Company to each of Canaccord and Blue Oar in the form set out in Schedule 2.

1.2 In this Agreement, including its Schedules:

- 1.2.1 any reference to a document in the agreed form means in the form agreed between the Company, Canaccord and Blue Oar (as applicable) and initialled by or on behalf of each of them for the purpose of identification, in each case with such amendments as may be agreed between them;
- 1.2.2 material and materially mean material in the context of the Placing;
- 1.2.3 references to hours of the day are to the time as it is in England and any cross-reference to a particular time mentioned elsewhere in this Agreement is to such time on the relevant date;
- 1.2.4 headings are for convenience only and do not affect the construction of this Agreement;
- 1.2.5 references to clauses or schedules are to the clauses of this Agreement and to the schedules to this Agreement, unless otherwise stated;
- 1.2.6 words denoting the singular include the plural and vice versa, words importing gender include all genders and words denoting persons include corporations, unincorporated associations and partnerships;
- 1.2.7 words and expressions defined in the Act have the same meanings in this Agreement, except where the context requires otherwise;
- 1.2.8 any statement or warranty qualified by reference to the awareness, knowledge information and/or belief of the Company or any other similar expression is deemed to include an additional statement that it has been made with due and careful consideration after the Company has made all reasonable enquiries of the Directors and there having been made all such investigations as could reasonably be expected to be made or considered in the context of the Placing and Admission; and

1.2.9 references to any statute or statutory provision include any re-enactment or modification or extension of it (before the date of this Agreement), any statutory provision of which it is a re-enactment (whether with or without modification) and any orders, regulations, instruments or other subordinate legislation made under it.

2 CONDITIONS

2.1 The obligations of Canaccord and Blue Oar under clause 4 of this Agreement in respect of the Admission are conditional upon:

2.1.1 compliance in all material respects by the Company with its obligations under clause 3;

2.1.2 the Press Announcement being issued by the Company in the UK, disseminating the full text of the same through a Regulatory Information Service by 8:00 am on 22 July 2008;

2.1.3 a Warranty Certificate having been duly executed and delivered to each of Canaccord and Blue Oar immediately prior to Admission;

2.1.4 the Warranties remaining true and accurate and not misleading in each case in all material respects as at Admission and this Agreement not having been terminated in accordance with clause 10; and

2.1.5 Admission becoming effective on or before 8.00am on 22 July 2008 (or such later date as Canaccord and the Company may agree but in any event not later than 8.00am on 1 September 2008).

2.2 The Company agrees with each of Canaccord and Blue Oar to use its reasonable endeavours (insofar as it is able) to procure satisfaction of the Conditions contained in clause 2.1 by the times and dates stated therein. Canaccord and Blue Oar will provide all reasonable assistance to the Company in relation to Conditions 2.1.2 and 2.1.5.

2.3 Any Condition (other than Condition 2.1.5 (Admission)), may be waived, in whole or in part, by Canaccord (acting in its absolute discretion and without any obligation to make any such waiver or extension or consultation with the Company or Blue Oar) by express written notice to the Company. The time and/or date of satisfaction of any Conditions may be extended to such later time and/or date as Canaccord and the Company may agree but in any event no later than 8.00 a.m on 1 September 2008.

2.4 If any Condition is not satisfied in all respects or (where applicable) waived by Canaccord in respect of the Placing or becomes incapable of being satisfied (and is not so waived) by the required time (or such later time as Canaccord and the Company may agree but in any event not later than 8.00 am on 1 September 2008), the obligations of the Company, Canaccord and Blue Oar under this Agreement and accordingly of the Placees shall cease and determine in respect of the Placing and no party shall have any claim against the others for costs, damages, compensation or otherwise in respect of the Placing except:

2.4.1 in respect of a breach of this Agreement which has occurred prior to such termination;

2.4.2 the provisions of clause 1, this clause 2.4 and clauses 8, 12, 13, 14, 17, 18 and 20 and shall remain in full force and effect; and

2.4.3 the Company shall pay to Canaccord and Blue Oar the fees, costs, charges and expenses referred to in clause 6.2 and 6.3.

3 OBLIGATIONS OF THE COMPANY

3.1 The Company shall deliver or procure that there are delivered, to Canaccord the documents referred to in Schedule 3 in such number as is referred to in Schedule 3 and at the times specified in that schedule.

3.2 The Company shall instruct its nominated adviser to make the Application and agrees to use its reasonable endeavours to supply all such information, give all such undertakings, execute all such documents, pay all such reasonable fees and do or procure to be done all such things as may be required to comply with the requirements of the London Stock Exchange in relation to the Application and with the AIM Rules so as to enable Admission to take place by 8 a.m. on 22 July 2008.

3.3 The Company shall instruct its nominated adviser to release the Press Announcement to a Regulatory Information Service and to the London Stock Exchange by not later than 8.00 am on 22 July 2008.

3.4 The Company will use its reasonable endeavours to procure that each of the Directors will provide to its nominated adviser or the London Stock Exchange all such information known to him and relating to the Company or otherwise as may reasonably be required by its nominated adviser for the purpose of complying with the requirements of law or of the London Stock Exchange or the AIM Rules.

3.5 The Company undertakes to use its reasonable endeavours to procure that the conditions set out in the BK16 Agreements are satisfied within the required time frames and to take all such other action as may be required to ensure the completion of the BK16 Agreements.

4 THE PLACING AND ALLOTMENT

- 4.1 The Company hereby irrevocably appoints Canaccord and Blue Oar as its agents to procure subscribers for the Placing Shares in the UK at the Placing Price in accordance with and otherwise on and subject to the terms and conditions set out in this Agreement and hereby confirms that the foregoing appointment confers on Canaccord and Blue Oar all powers, authorities and discretions on behalf of the Company which are necessary for or incidental to the procuring of subscribers for the Placing Shares and the Company hereby agrees to ratify and confirm everything which Canaccord and Blue Oar shall lawfully do in the exercise of such powers, authorities and discretions provided that such appointment in respect of the Placing shall terminate on the earlier of termination of this Agreement or completion of the Placing. The Company appoints Canaccord as lead agent and sole bookrunner in respect of the Placing. For the avoidance of doubt neither Canaccord nor Blue Oar shall be responsible or liable in any way for any of the Placing Shares which are placed by the Company or any other broker
- 4.2 On the terms and subject to the Conditions and in reliance on the Warranties and the indemnities contained in this Agreement, Canaccord and Blue Oar hereby agree with the Company that it will, as agents for the Company, use their respective reasonable endeavours either directly or indirectly through its affiliates to procure subscribers for the Placing Shares at the Placing Price. Neither Canaccord nor Blue Oar are underwriting this Placing in any respect.
- 4.3 Canaccord will determine in its absolute discretion:
- 4.3.1 the identity of the subscribers for the Placing Shares;
 - 4.3.2 the validity or otherwise of acceptances received for the Placing Shares under the Placing; and
 - 4.3.3 the basis of allocation of the Placing Shares,
- provided that Canaccord will consult with Blue Oar and the Company prior to finalising the allocation of the Placing Shares to Placees.
- 4.4 Canaccord shall notify the Company as soon as reasonably practicable and prior to Admission the names and denominations in which Placing Shares are to be allotted and issued as specified in the registration particulars included in the Contract Notes together with details as specified in the Contract Notes of those Placing Shares which are to be held in certificated form and those which are to be held in uncertificated form and, with respect to the latter, specifying each relevant Placee's CREST participant ID reference and the relevant CREST member account ID reference(s) relating to the CREST member account(s) to which each relevant Placee wishes Placing Shares to be credited.
- 4.5 As soon as reasonably practicable following receipt of the notification from Canaccord under clause 4.4, the Company shall:
- 4.5.1 in respect of the Placing subject to being able to provide the confirmations contained therein, deliver the Warranty Certificate to Canaccord and Blue Oar prior to Admission; and

4.5.2 in respect of the Placing procure that the Placing Shares are allotted at the Placing Price to the Placees notified to it by Canaccord conditionally upon the Admission and the fulfilment or waiver of any other Conditions then still to be fulfilled.

4.6 The allotment and issue of the Placing Shares shall be made upon and in accordance with the Memorandum and Articles of Association of the Company.

5 PAYMENT

5.1 Subject to Admission, Canaccord will as soon as reasonably practicable following Admission and subject only to having received the relevant funds from Placees procured by Blue Oar, being no later than three Business Days following Admission (or such later date as agreed between Canaccord and the Company) pay or cause to be paid to the Company at Royal Bank of Scotland, Royal Bank Place, 1 Glatigny Esplanade, St Peter Port, Guernsey GY1 4NW, Account Name: Firestone Diamonds plc, Account Number: 10115385, Sort Code: 16-20-29, a sum equal to the amount received by Canaccord and Blue Oar from Placees in respect of the relevant Placing Shares placed at the Placing Price less the amounts referred to in clauses 6.1 and 6.2.

5.2 Blue Oar undertakes that it shall release the funds received from the Placees to Canaccord in good time to ensure that Canaccord shall be able to comply with its obligations to the Company pursuant to clause 5.1 and in any event no later than two Business Days following Admission.

5.3 The receipt by the Company of the full amount referred to in clause 5.1, shall constitute an absolute discharge of any obligation of Canaccord and Blue Oar to make payment to the Company in respect of the relevant Placing Shares, and neither Canaccord nor Blue Oar shall be required to investigate the application of such amounts.

5.4 As soon as practicable following Admission, the Company shall procure (so far as applicable) registration in the Company's register of members (without registration fees) by the Registrars of the Placees as the holders of the Placing Shares.

5.5 Subject to the Admission the Company shall procure that definitive certificates in respect of the Placing Shares, which Canaccord has notified the Company are to be issued in certificated form, be prepared and delivered or posted to the person(s) entitled thereto by no later than 14 days after the date of Admission and that the appropriate CREST member accounts are properly credited in respect of Placing Shares which Canaccord has notified the Company are to be issued in uncertificated form, on the date of Admission or, in the event of any difficulties or delays in the admission of Placing Shares to CREST, and if Canaccord shall so determine, shall procure that definitive certificates in respect of all of the Placing Shares shall be prepared and delivered as aforesaid.

6 PAYMENT OF COSTS, EXPENSES, FEES AND COMMISSIONS

6.1 Subject to satisfaction or waiver of the Conditions:

6.1.1 the Company shall immediately following Admission pay

- (a) to Canaccord a corporate finance fee of £50,000;
- (b) to Canaccord a commission of five per cent (5%) of the sum equal to sixty per cent (60%) of the gross proceeds of the Placing received by the Company from Placees procured in the UK;
- (c) to Blue Oar a commission of five per cent (5%) of the sum equal to forty per cent (40%) of the gross proceeds of the Placing received by the Company from Placees procured in the UK.

For the avoidance of doubt neither Canaccord nor Blue Oar shall be entitled to a commission on funds raised by the Company or any other broker appointed by the Company.

6.2 Whether or not the Placing proceeds, the Company will, on receipt of invoices evidencing expenses and fees in excess of £1,000, pay all of the reasonable expenses and fees properly incurred by Canaccord and Blue Oar in connection with the Placing together with the reasonable fees and disbursements and non recoverable VAT of the lawyers of Canaccord and Blue Oar, and all reasonable out-of-pocket costs properly incurred by Canaccord and Blue Oar including travel expenses for any road-shows and otherwise incurred in connection with the marketing of the Placing.

6.3 All sums referred to in clauses 6.1 and 6.2 are exclusive of VAT which, where applicable, shall be payable thereon. Where, pursuant to clause 6.2 a sum ("**Relevant Sum**") is to be paid or reimbursed to either Canaccord or Blue Oar, as applicable, in respect of any cost or expense incurred by them and that cost or expense includes an amount in respect of VAT ("**VAT Element**"), the Company shall pay an amount to Canaccord or Blue Oar, as applicable, in respect of the VAT Element that shall be determined as follows:

6.3.1 If the Relevant Sum constitutes for VAT purposes payment to Canaccord or Blue Oar for the supply by it of goods or services to the Company, a sum equal to:

- (a) the proportion of the VAT Element that Canaccord or Blue Oar, as applicable, certifies as representing irrecoverable input tax in the hands of Canaccord or Blue Oar (such certificate to be conclusive save in the case of manifest error); and
- (b) such amount as represents any VAT properly chargeable on the consideration for that supply, provided that Canaccord or Blue Oar, as applicable, shall have provided the Company with a valid VAT invoice in respect of such supply.

6.3.2 If the Relevant Sum constitutes for VAT purposes reimbursement of a cost or expense incurred by Canaccord or Blue Oar, as applicable, as agent for the Company, a sum equal to the whole of the VAT Element, and where a sum equal to the VAT Element has been reimbursed to Canaccord or Blue Oar, as applicable, under clause 6.2 above, Canaccord and/or Blue Oar shall provide the Company with a valid VAT invoice in respect of the supply to which the Relevant Sum relates, that is to say a VAT invoice naming the Company as recipient of the supply and issued by Canaccord or Blue Oar or, if Canaccord

or Blue Oar has treated the relevant cost or expense as a disbursement for VAT purposes, by the person making the supply.

- 6.4 The amounts payable pursuant to clauses 6.1 and 6.2 may (provided that in the case of amounts payable pursuant to clause 6.2, the required invoices evidencing such fees and expenses have been provided to the Company) be withheld by Canaccord from any payments due by it to the Company pursuant to clause 5.1 and such withholding will satisfy the obligations of the Company in respect thereof pursuant to this clause 6. For the avoidance of doubt Canaccord undertakes that any such sums withheld by Canaccord and which are due to Blue Oar shall be remitted to Blue Oar within 5 Business Days of the release of the funds to the Company by Canaccord.

7 WARRANTIES

- 7.1 In consideration of Canaccord and Blue Oar entering into this Agreement, the Company warrants to each of Canaccord and Blue Oar as at the date of this Agreement in the terms set out in Schedule 1.
- 7.2 The Warranties shall remain in full force and effect notwithstanding the completion of the Placing and Admission.
- 7.3 The parties hereto acknowledge that each of Canaccord and Blue Oar has entered into this Agreement in reliance upon the warranties and undertakings contained in this Agreement. The warranties and undertakings contained in this Agreement shall be separate and independent.
- 7.4 The Company undertakes to notify each of Canaccord and Blue Oar immediately if it comes to its knowledge at any time up to Admission that any of the Warranties was, has become, or is likely to become materially untrue, inaccurate or misleading either when given or if it were repeated at any time before Admission by reference to the facts or circumstances existing at the time of repetition.

8 PLACING AGENTS' INDEMNITY

- 8.1 No claim shall be made against any Indemnified Person by the Company to recover any damage, loss, liability, cost, charge or expense which the Company or any other person may suffer or incur or claim to have suffered or incurred by reason of or arising directly or indirectly out of the proper and lawful performance by any Indemnified Person of its obligations under this Agreement or the provision by or on behalf of such Indemnified Person of services to the Company whether under this Agreement or otherwise in connection with the Placing, unless and to the extent that such damage, loss, liability, cost, charge or expense arises from the finally and judicially determined fraud, gross negligence or wilful default of any Indemnified Person by a court of competent jurisdiction of England and Wales or a breach by such Indemnified Person of its obligations under this Agreement or under the FSMA or under the FSA Handbook.
- 8.2 In consideration of the services to be provided by Canaccord and Blue Oar in connection with the Placing, the Company hereby irrevocably undertakes with Canaccord and Blue Oar (for itself and as trustee for each other Indemnified Person) to the fullest extent permitted by law to indemnify each Indemnified Person and at all times keep each Indemnified Person fully and effectively indemnified against all

damages, losses, liabilities, costs, charges, expenses, claims, actions, demands, proceedings and judgments whatsoever which any Indemnified Person may suffer or incur or which may be brought or threatened to be brought against or incurred by any of them in any jurisdiction whatsoever (and in the case of a claim whether or not such claim is successful or settled) by any subscriber, allottee or Placee of the Placing Shares or any subsequent purchaser or transferee thereof or by any other person, government, governmental agency or regulatory body whatsoever and against all damages, losses, liabilities, costs, charges and expenses (including, without limitation, reasonable legal fees) and taxes which any Indemnified Person may suffer or incur as a result thereof (including but without limitation all such damages, losses, liabilities, costs, charges and expenses (including, without limitation, reasonable legal fees) and taxes as any Indemnified Person may pay or incur in responding to, disputing or considering any such actual or potential actions, claims, demands, proceedings or judgements aforesaid and/or in establishing its rights to be indemnified pursuant to this clause 8 and/or in seeking advice as to any claim, action, liability, demands, proceedings or judgements aforesaid or in any way related to or in connection with this indemnity or the Placing) and which in any such case arises out of or in connection with:

- 8.2.1 the issue or despatch of the Presentation, the Contract Notes or the allotment, issue or subscription for the Placing Shares; or
- 8.2.2 any breach of any of the Warranties or of any of the confirmations set out in the Warranty Certificate; or
- 8.2.3 any breach by the Company of any of its obligations under this Agreement; or
- 8.2.4 the Presentation not containing, or being alleged (by any person other than an Indemnified Person) not to contain, all the information required by law or regulation to be stated therein; or
- 8.2.5 any statement in the Presentation being, or being alleged (by any person other than an Indemnified Person to be) incomplete, untrue, inaccurate or misleading (other than information which relates to Canaccord or Blue Oar) in any material respect; or
- 8.2.6 any breach or alleged breach (by any person other than an Indemnified Person) of the laws or regulations of the UK, the AIM Rules or the regulations of the London Stock Exchange in connection with the Placing or the issue and publication of the Presentation or any failure to comply with any other relevant laws or regulations of any jurisdiction in relation to the Placing; or
- 8.2.7 the carrying out by or on behalf of Canaccord or Blue Oar of its services in connection with the Placing or the preparation and distribution of any of the Presentation; or
- 8.2.8 the implementation of the Placing,

save to the extent that such damages, losses, liabilities, costs, charges, expenses, claims, actions, demands, proceedings and judgments arise from the finally and

judicially determined fraud, gross negligence or wilful default of any Indemnified Person by a court of competent jurisdiction of England and Wales or a breach by either Canaccord or Blue Oar of its obligations under this Agreement, the FSMA or under the FSA Handbook PROVIDED THAT any such fraud, gross negligence, default, breach or contravention by any one Indemnified Person shall not of itself obviate the Indemnity in favour of any other Indemnified Person and the provisions of this clause 8 shall be read and construed accordingly. This clause 8.2 shall not preclude an Indemnified Person from exercising any rights it may have at common law or otherwise and, without prejudice to the generality of the foregoing, including any right of contribution. Such rights shall be in addition to any liability in respect of the services of Canaccord and Blue Oar to the Company which the Company might otherwise have to any Indemnified Person and shall survive completion of all matters and arrangements referred to or contemplated by this Agreement. Any decision by Canaccord and/or Blue Oar as to whether or not to seek to enforce the indemnity contained herein on behalf of any other Indemnified Person shall be entirely at the discretion of Canaccord and/or Blue Oar.

- 8.3 Except in respect of statements expressly agreed by Canaccord and/or Blue Oar in writing, neither Canaccord nor Blue Oar nor any other Indemnified Person nor any of their advisers will be responsible to the Company or to any other person responsible for verifying the accuracy or fairness of the information published by the Company in connection with the Placing to the extent permitted by the FSA Handbook.
- 8.4 All sums payable to Canaccord and/or Blue Oar or any other Indemnified Person pursuant to this clause 8 shall be paid free and clear of all deductions and withholdings unless the deduction or withholding is required by law, in which event the payer shall pay such additional amount as will be required to ensure that the net amount received by the relevant person will equal the full amount which would have been received by it had not such deduction or withholding been made. If the UK HM Revenue and Customs or any other taxing authority in any jurisdiction brings into any charge for taxation (or into any computation of income, profits or gains for the purpose of any charge for taxation) any sum payable under any indemnity contained in this clause 8, the amount so payable shall be increased by such amount as will ensure that after deduction of the taxation so chargeable there shall remain a sum equal to the amount that would otherwise be payable under such indemnity.
- 8.5 References in this clause 8 to the Presentation shall be deemed to include reference to the Presentation updated by any supplementary documents.
- 8.6 Without prejudice to clause 8.2 an Indemnified Person shall, as soon as practicable after becoming aware of any claim made or threatened against any Indemnified Person in respect of which indemnity may be sought pursuant to clause 8.2, promptly notify the Company in writing thereof and, subject to the reasonable requirements of such Indemnified Person's insurers, thereafter consult with the Company on all material aspects of such claim and, subject to the relevant Indemnified Person being fully indemnified by the Company to the reasonable satisfaction of such Indemnified Person against all losses, liabilities, costs, charges and expenses, the Indemnified Person shall, at the request of the Company, take such action as the Company may reasonably require to avoid, dispute, resist, appeal, compromise or defend any such claim. Provided that nothing in this clause shall require the Indemnified Person to do, or refrain from doing, anything which would, or which the Indemnified Person

considers might (acting reasonably and in good faith), either prejudice any insurance cover to which it or any Indemnified Person may from time to time be entitled, or from which it or any of them may benefit or which may prejudice in any material respect the reputation or standing of the Indemnified Person or of any other Indemnified Person.

9 ANNOUNCEMENTS

- 9.1 Subject to the Company's compliance with the AIM Rules, the Company will not between the date of this Agreement and the expiry of the period of three months following Admission make any public announcement other than the Press Announcement or otherwise in accordance with the terms of this Agreement in relation to the business of the Company or any transactions entered into by it or do anything as a result of which they may become obliged to make any such announcement without prior consultation with Canaccord and Blue Oar.
- 9.2 The Company shall use its reasonable endeavours to procure that employees of the Company and its subsidiaries and advisers of the Company observe the restriction set out in Clause 9.1 as if they were parties thereto.

10 TERMINATION

10.1 If:

10.1.1 at any time prior to Admission there shall develop, occur or come into effect any fundamental change in national or international financial, economic, political or market conditions which, in the reasonable opinion of Canaccord, is likely to materially and adversely affect the financial position, the business or the prospects of the Group taken as a whole or which, in the reasonable opinion of Canaccord, renders the Placing impracticable or inadvisable; or

10.1.2 at any time prior to Admission:

- (a) it comes to the knowledge of Canaccord (whether by way of a notification pursuant to clause 7.4 or otherwise) that there is a material adverse change in the financial position and/or prospects of the Company; or
- (b) it comes to the knowledge of Canaccord (whether by way of receipt of a notification pursuant to clause 7.4 or otherwise) that any of the Warranties was untrue or inaccurate or misleading in each case in any material respect when made and/or that any of the Warranties has ceased to be true or accurate in each case in any material respect or has become misleading in any material respect by reference to the facts and circumstances from time to time subsisting if the Warranties were repeated at any time on or before the Admission; or
- (c) the Company has failed in any material respect to comply with its obligations under this Agreement,

then and in any such case Canaccord may, in its absolute discretion and after such consultation with the Company as is practicable in the circumstances, by notice in writing to the Company received prior to any Admission terminate this Agreement.

10.2 In the event that this Agreement is terminated in accordance with clause 10.1 then the provisions of clause 2.4 shall apply.

11 OBLIGATIONS TO THE PLACING AGENTS

11.1 Any liability to Canaccord or Blue Oar under this Agreement may in whole or in part be released, compounded or compromised and time or indulgence may be given by Canaccord or Blue Oar as regards any person under such liability without prejudicing rights of Canaccord or Blue Oar against any other person under the same or a similar liability.

11.2 Any remedy or right conferred upon each of Canaccord and Blue Oar for breach of this Agreement shall be in addition to and without prejudice to all other rights and remedies available to it.

11.3 The parties agree and acknowledge that each of Canaccord and Blue Oar is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of each of Canaccord and Blue Oar nor for providing advice in relation to the Placing to the extent permitted by the FSA Handbook.

12 TIME OF THE ESSENCE

Any date or period mentioned in this Agreement may be extended by mutual agreement between the parties hereto, but, as regards any date or period originally fixed or any date or period so extended as aforesaid, time shall be of the essence.

13 NOTICES

13.1 All notices delivered hereunder shall be in writing and shall be communicated to the following addressees:

If to the Company to: 26-28 Hammersmith Grove, London W6 7BA

Fax: 81816894

Attention: Philip Kenny

If to Canaccord to: Canaccord Adams Limited, Canaccord Place, 7th Floor,
80 Victoria Street, London SW1E 5JL

Fax: 020 7050 6580

Attention: Mike Jones/Andrew Chubb

If to Blue Oar to: 3rd Floor, 30 Old Broad Street, London, EC2N 1HT

Fax: 020 7448 4411

Attention:

Jerry Keen/John Wilkes

13.2 Any such notice or other communication delivered personally shall be deemed to have been received when delivered, if sent by fax shall be deemed to have been received at the time of effective transmission and by letter shall be deemed to have been received 48 hours after the time of posting.

13.3 Any notice given by Canaccord or Blue Oar under clause 13.1 may also be given by any director of Canaccord or Blue Oar to any Director either personally or by telephone and shall have effect immediately

14 **THIRD PARTIES**

14.1 Subject to clause 14.2 a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

14.2 Each Indemnified Person has the right under The Contracts (Rights of Third Parties) Act 1999 to enforce its rights against the Company under clause 8, provided that an Indemnified Person (other than Canaccord or Blue Oar) must obtain the written consent of either Canaccord or Blue Oar (which Canaccord or Blue Oar may give or refuse in its absolute discretion) before it may bring proceedings to enforce the terms of clause 8 and each of Canaccord and Blue Oar agrees with the Company that it shall have the sole conduct of any such action on behalf of the Indemnified Person.

14.3 Notwithstanding the reference to rights of third parties under clauses 8 and 14.2 above, the consent of no other person other than the parties to this Agreement is required for any amendment to this Agreement.

15 **COUNTERPARTS**

This Agreement may be executed by each party on a separate counterpart, but shall not be effective until each party has executed at least one counterpart. Each counterpart, when executed, shall be an original, but all counterparts shall together constitute the same agreement.

16 **FURTHER ASSURANCE**

The Company shall execute and provide all such documents and do or procure to be done all such other acts and things as Canaccord or Blue Oar may properly and reasonably request for the purpose of giving effect to all or any part of this Agreement.

17 **WAIVERS**

No neglect, delay or indulgence on the part of either Canaccord or Blue Oar in enforcing any right or remedy in respect of this Agreement, including in respect of any breach of a Warranty, shall be construed as a waiver of any such right or remedy or of any Condition. No single or partial exercise of any right or remedy on the part of either Canaccord or Blue Oar shall preclude or restrict the further exercise or enforcement of any such right or remedy. No consent or approval which may be given by Canaccord or Blue Oar for the purposes of this Agreement shall constitute a

waiver by such entity of any Condition or of any breach of this Agreement by the Company unless and to the extent that such consent or approval is expressed to do so.

18 WITHHOLDING AND GROSSING-UP

Each sum payable by the Company under this Agreement shall be paid free and clear of all deductions or withholdings of any kind save only as may be required by law. If any such deduction or withholding is required or if the UK HM Revenue and Customs or any other taxing authority in any jurisdiction brings any such sum into any charge to taxation (or into any computation of income, profits or gains for the purposes of any charge to taxation), such sum shall be grossed-up by such amount as will ensure that after such deduction or withholding or charge the remainder of the gross sum paid or payable shall equal the sum which would otherwise be payable under this Agreement (additional payments being made by the Company, as may be necessary from time to time).

19 ENTIRE AGREEMENT

This Agreement together with the Engagement Letter set out the entire agreement of the parties hereto in relation to the appointment of Canaccord and Blue Oar as the Company's agents for the purposes of the Placing and any other previous letters or agreements between any of the parties hereto insofar as their terms relate solely to the appointment of Canaccord and Blue Oar as the Company's agents for the purposes of the Placing shall have no further effect. In the event of any conflict between the terms of this Agreement and the Engagement Letter, the terms of this Agreement shall prevail.

20 APPLICABLE LAW, ETC.

20.1 This Agreement shall be governed by and construed in accordance with English law.

20.2 Each of the parties hereby submits to the exclusive jurisdiction of the courts of England in relation to any matter arising out of this Agreement.

IN WITNESS whereof this Agreement has been entered into the day and year first before written.

SIGNED for and on behalf of
FIRESTONE DIAMONDS PLC

)
)



SIGNED for and on behalf of
CANACCORD ADAMS LIMITED

)
)

the Placing shall have no further effect. In the event of any conflict between the terms of this Agreement and the Engagement Letter, the terms of this Agreement shall prevail.

20 APPLICABLE LAW, ETC.

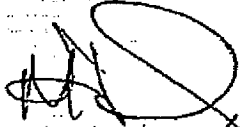
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IN WITNESS whereof this Agreement has been entered into the day and year first before written.

SIGNED for and on behalf of)
FIRESTONE DIAMONDS PLC)

SIGNED for and on behalf of)
CANACCORD ADAMS LIMITED)


Mark Whittin
Managing Director.

SIGNED for and on behalf of)
BLUE OAR SECURITIES PLC)

SIGNED for and on behalf of
BLUE OAR SECURITIES PLC

)
)

J R Wilkes
15/7/8

SCHEDULE 1 - Warranties

1. PLACING DOCUMENTS

- 1.1. The Presentation contain all particulars and information and comply in all respects with all relevant (if any) provisions of the Act, the FSMA, the AIM Rules and all other relevant requirements of the London Stock Exchange and of any statute, statutory regulation or other regulatory bodies applicable to the Placing in the UK.
- 1.2. The information contained in the Presentation is in accordance with the facts and all statements of fact contained in the Presentation are true, complete and accurate and not misleading in each case in all material respects and all forecasts, estimates and expressions of opinion, intention or expectation contained in the Presentation are true and honestly held, are fairly based and have been made on reasonable grounds after due and careful enquiry and consideration of all the information available to the Company.
- 1.3. All information supplied to Canaccord and/or Blue Oar in relation to the Placing was true and accurate in all material respects when provided and was not misleading in any material respect and no material fact was omitted therefrom which would make such information misleading in any material respect and all forecasts, estimates and expressions of opinion, intention or expectation made in such information were made on reasonable grounds, after due and proper enquiry and consideration were truly and honestly held and fairly based and no further information has been withheld the absence of which would make untrue, inaccurate or misleading in any material respect the information so provided.
- 1.4. All oral responses provided to Canaccord and/or Blue Oar during the bring down due diligence calls are true and accurate in all material respects and are not misleading in any material respects and no material fact has been omitted therefrom which would make such responses misleading in any material respect.
- 1.5. All information in all announcements that the Company has made through a Regulatory Information Service since the Accounts Date was, save to the extent corrected or updated by a later announcement, true and accurate in all material respects and not misleading in any material respect when provided and no material fact has been omitted therefrom which would make such information misleading in any material respect and the Company has not failed to announce any matter required to be announced by the AIM Rules for Companies.
- 1.6. The Verification Notes have been prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide or approve such replies, as appropriate, and the same have been given in good faith and with due care and attention.

2. ACCOUNTS

2.1. The financial statements of the Group as at and for the financial year ended on the Accounts Date:

- 2.1.1. have been prepared in accordance with the historical cost convention and generally accepted UK accounting principles, practices and standards consistently applied and comply with the Act;
- 2.1.2. give a true and fair view of the state of affairs of the Group as at the Accounts Date and of the profit and loss for such period;
- 2.1.3. fairly set out the assets, liabilities and reserves of the Group and either make proper provision for or, where appropriate in accordance with generally accepted UK accounting principles, practices and standards, include a note of all liabilities or commitments, whether actual, deferred or contingent of the Group as at the relevant dates.
- 2.1.4. Save as set out in the notes to the Unaudited Financial Statements of the Group, the Unaudited Financial Statements of the Group as at and for the six (6) month period ended 31 December 2007:
 - 2.1.4.1. have been prepared in accordance with IFRS;
 - 2.1.4.2. have been prepared using the accounting policies and methods of computation consistent with those used in the Accounts; and
 - 2.1.4.3. fairly reflect the profits, losses, assets and liabilities and cashflows as at 31 December 2007.

3. CURRENT FINANCIAL PERIOD

3.1. Save as announced to a Regulatory Information Service, since the Accounts Date:

- 3.1.1. each Group Company has carried on its respective business in the ordinary and usual course;
- 3.1.2. there has been no material depletion in the net assets of the Group and there has been no material adverse change in the financial or trading position or prospects of the Group;
- 3.1.3. no Group Company has entered into any contract or commitment of a long term or unusual nature or which could involve an obligation of a material nature or magnitude which would require disclosure pursuant to the AIM Rules;
- 3.1.4. no Group Company has acquired or disposed of or agreed to acquire or dispose of any business, company or asset or assumed or acquired any liability (including any contingent liability) which is sufficiently material to require disclosure pursuant to the AIM Rules;
- 3.1.5. no dividends or other distributions have been, or have been treated as having been, declared, made or paid by any the Company; and

- 3.1.6. no Group Company has incurred any liability for taxation otherwise than in the ordinary course of business.

4. TAX

Each Group Company has, within any applicable time limit, duly made all returns, given all notices and supplied all other information required to be made, given or supplied to any Tax authority, and all such returns, notices and information are correct in all material respects and were made on a proper basis, and each Group Company has paid all Taxes required to be paid and no Group Company is involved in any dispute with, or subject to any investigation by, any tax authority and, so far as the Company is aware, there are no facts or circumstances which are likely to give rise to any such dispute or investigation or liability to Tax.

5. WORKING CAPITAL

- 5.1. Having regard to the existing bank facilities available to the Company and the proceeds of the Placing, (assuming the Placing raises at least £5 million gross) the Company has sufficient working capital for its present requirements, that is until 31 August 2009.

6. SHARES

- 6.1. Save as referred to in Recital (A) to this Agreement or disclosed in the Accounts, there are not in force any options or other agreements which call for the issue of, or afford to any person the right to call for the issue of, any shares in the capital of or other securities of the Company.
- 6.2. The Placing Shares will be allotted and issued free from all claims, charges, liens and encumbrances and equities whatsoever and will rank pari passu in all respects with the Existing Ordinary Shares and the allotment and issue of the Placing Shares pursuant to the Placing will not infringe any law or regulation of the UK.
- 6.3. So far as the Company is aware and save as disclosed in the Accounts or as announced to the Regulatory Information Service, none of the shareholders of the Company will after Admission have any rights, in their capacity as such, in relation to the Company other than as set out in the Articles of Association of the Company or at law.
- 6.4. The Placing Shares have been, or will, prior to the Admission be, duly created and their issue has been or will be duly authorised in accordance with the requirements of the Company's Memorandum and Articles of Association and the Act.
- 6.5. The Ordinary Shares are freely transferable subject to the Articles of Association of the Company.
- 6.6. Recital (A) to this Agreement is true and accurate in all respects.

7. CAPACITY

- 7.1. The Company and each other member of the Group has been duly incorporated in its relevant jurisdiction, is in good standing and has full corporate power and authority to carry on its business at the date of Admission and so far as the Company is aware

there are no circumstances which indicate that any Group Company could be struck off, wound up, liquidated or subject to any analogous event outside the UK.

- 7.2. The information with respect to the Company's subsidiaries set out on page 30 of the Company's 2007 Annual Report is true, accurate and not misleading.
- 7.3. The Company has power under its Memorandum and Articles of Association and pursuant to resolutions passed at general meeting, to create, allot and issue the Placing Shares and to effect the Placing in the manner proposed and to pay the fees and expenses provided for in this Agreement and to enter into and perform this Agreement without any sanction or consent by members of the Company or any class of them, and all other authorisations, approvals, consents and licences required for the entering into of this Agreement and the allotment and issue of the Placing Shares have been obtained and remain in full force and effect.

8. ADMINISTRATION

All documents required by law to be filed with any governmental body or regulatory authority (including, without limitation, the Registrar of Companies) in respect of the Group Companies have been or will prior to Admission have been duly filed.

9. CONFLICTS OF INTEREST

Save as disclosed in the Accounts or through a Regulatory Information Service, there are no actual or potential conflicts of interest between the Group Companies and any Director or persons connected with him (within the meaning of section 346 of the Companies Act 1985) or any company of which any Director is a director or in which any Director has a material interest.

10. INSOLVENCY

No Group Company has taken any action nor, so far as the Company is aware, have any other steps been taken or legal proceedings started or threatened against any Group Company for its administration, winding-up or provisional winding-up or dissolution or for it to enter into any arrangement or composition for the benefit of creditors, or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of any of its properties, revenues, undertakings or assets nor have any orders been made for any of the foregoing.

11. LEGAL OPINIONS

- 11.1. No information was withheld from Armstrongs or SimonetteLewis for the purposes of the Legal Opinions and all information given to them for such purpose is true and accurate and not misleading in any material respects and, to the best of the knowledge, information and belief of the Company there is no other fact or matter which renders any such information misleading because of any omission, ambiguity or for any other reason. Each expression of opinion, intention or expectation in such information is made on reasonable grounds, is honestly held, is fairly based and has been made after due and careful enquiry and consideration.
- 11.2. All statements of fact contained in the Legal Opinions are true and accurate and no fact has been omitted therefrom (or information withheld) the omission of which would make any statement of fact therein misleading.

12. LICENCES AND CONSENTS

- 12.1. The information set out in Schedule 4 is true, accurate and not misleading.
- 12.2. Each of the Licences is valid, subsisting and enforceable by the Group Companies and shall continue in full force and effect in accordance with its terms and all conditions applicable to each Licence have been complied with.
- 12.3. The terms of each of the Licences have been fully complied with and there are no outstanding obligations under any of the Licences which may have or may cause negative consequences for the status of any of the Licences or for any of the Group Companies and no Group Company has received any notice from any government body with regard to any actual or potential violations or outstanding obligations under the Licences.
- 12.4. All statutory, municipal and other licences, consents, permits and authorities necessary or desirable for the carrying on of the business of the Group in accordance with the Presentation and the Press Announcement have been obtained and are valid and subsisting and all conditions applicable to any such licence, consent (including planning consent), permit or authority have been complied with and no member of the Group is aware of any breach of them.
- 12.5. The regulatory authority pursuant to which the Licences were granted has not required or indicated that it shall require (i) any works to be carried out in addition to or materially different from that referred to in the Licences or as set out in any existing development programme or (ii) the submission of any additional development programmes in respect of any of the Licences.
- 12.6. There are no surface title rights, surface occupancy rights or mining titles which might impair any Group Company's full enjoyment of all property, rights and interests under the Licences.
- 12.7. The terms of the BK16 Agreements and all other material leases, tenancies, licences, concessions and agreements relating to the Licences to which any Group Company is a party are binding and enforceable and so far as the Company is aware have been duly complied with by all the parties thereto in all material respects and so far as the Company is aware there are no circumstances likely to give rise to any breach of such terms or which would entitle any party to terminate the BK16 Agreements or any such lease, licence, tenancy, concession or agreement.
- 12.8. Upon completion of the BK16 Agreements the Group will hold an eighty-seven and a half per cent interest (87.5%) in the BK16 Licence.
- 12.9. So far as the Company is aware, Kenrod holds one hundred per cent (100%) of the interest in the BK16 Licence.
- 12.10. Other than SouthernEra International no other person or entity has any pre-emption rights over the shares in Kenrod which are to be sold to the Group pursuant to the BK16 Agreements.

13. ENVIRONMENT

- 13.1. Each Group Company is and has been in compliance in all material respects with all applicable Environmental Law and the terms of the Environmental Licences. No

Group Company has received written notice or communication that it may be in violation of an Environmental Law in any material respect or that any Environmental Licence may be subject to modification or revocation.

14. DEFAULT UNDER AGREEMENTS

14.1. So far as the Company is aware no event has occurred and is subsisting or is about to occur which constitutes or would constitute a default under, or result in the acceleration by reason of default of, any obligations of any Group Company under any agreement, undertaking, instrument or arrangement to which any Group Company is a party or by which it or any of its properties, revenues or assets are bound and which would in any such case have a material adverse effect on the business, assets, prospects or financial or trading condition of such Group Company.

14.2. No event has occurred or so far as the Company is aware is likely to occur which may cause any loan or overdraft of any Group Company to be repayable in whole or in part prior to the stated date of maturity or cause the commitment of any bank or lender thereunder to be cancelled or reduced or to give rise to any claim under any guarantee or indemnity given by a Group Company.

15. ADMINISTRATION

15.1. All the statutory books, minutes and financial records of the Group Companies have been properly written up and accurately kept and completed.

16. COMPLIANCE WITH LAWS

16.1. Each Group Company has conducted its business in all material respects in accordance with all applicable laws and regulations of the UK, Botswana, British Virgin Islands and South Africa and all other relevant foreign countries and there is no order, decree or judgment of any court or any governmental or other competent authority or agency outstanding of the UK, Botswana, British Virgin Islands or South Africa or any other relevant foreign countries against any Group Company or any person for whose acts any Group Company is vicariously liable which is material in the context of the Group or adversely affects the financial position of any Group Company.

17. INSURANCE

Each Group Company maintains such insurance cover (other than intellectual property rights cover) upon all of their respective assets and such public and employers liability as the Company reasonably regards as appropriate and adequate taking into account the nature and scale of its activities and the provisions of agreements binding upon it and such insurance is now in force and the Company is not aware of any fact or matter which would lead to any such insurance being vitiated or repudiated and there is no material claim pending or outstanding and all premiums in respect of such insurances have been duly paid.

18. LITIGATION

No Group Company nor so far as the Company is aware is any Director or any other person for whom any Group Company is or may be vicariously liable engaged in any litigation, arbitration, prosecution or other legal proceeding, nor so far as the Company is aware is any such litigation, arbitration, prosecution or other legal

proceeding pending or threatened by or against any Group Company or such other person, nor so far as the Company is aware is there any claim or any fact likely to give rise to a claim, which in any such case may have or has had during the twelve months preceding the date hereof or is likely to have a material adverse effect on the financial position of the Group taken as a whole.

19. COMPLIANCE WITH SECURITIES LAWS

- 19.1. The issue of the Placing Shares and the issue or publication of the Presentation will comply in all material respects with the relevant provision of the Act, the FSMA, the AIM Rules, the Prospectus Rules and all other relevant laws and regulations of the UK and all agreements to which the Group Companies are a party or by which the Group Companies are bound.

20. CORPORATE GOVERNANCE

- 20.1. The Directors understand, the nature of their responsibilities and obligations as directors of a company whose securities are traded under the AIM Rules and they understand what is required of them to enable holders of Ordinary Shares and the public to appraise the position of the Company and to avoid the creation of a false or misleading impression of the price or value of, or a false market in, the Company's shares.
- 20.2. The Company has maintained a system of internal accounting controls and procedures which provide a reasonable basis for the Directors to make proper judgements as to the financial position and prospects of the Group.
- 20.3. The Company has maintained in respect of each member of the Group such form of control, monitoring and management (including without limitation the establishment of committees and individual responsibility) in relation to its operations, business and functions (including regulatory compliance and management of financial risk) as are required by all relevant rules and regulatory requirements applicable to the Company and each member of the Group.
- 20.4. The Group has maintained adequate disaster recovery procedures in place to ensure that business continuity can be maintained and that the integrity of its data and records is safeguarded.

SCHEDULE 2 – (Warranty Certificate)

[On the notepaper of the Company]

Canaccord Adams Limited
Canaccord Place
7th Floor
80 Victoria Street
London SW1E 5JL

Blue Oar Securities plc
3rd Floor
30 Old Broad Street
London
EC2N 1HT

[To be dated of Admission]

Dear Sirs

Placing of • new Placing Shares

We refer to the placing agreement dated • 2008 between us ("the Agreement"). Words and expressions defined in the Agreement have the same meaning in this letter.

We confirm to you that:

1. each of the Conditions (other than Condition 2.1.5) has been satisfied or fulfilled in accordance with its terms; and
2. there is no fact or circumstance which has caused a Warranty to become untrue, inaccurate or misleading in each case in any material respect by reference to the facts or circumstances existing at 4:00 pm on the day immediately prior to Admission.

Yours faithfully

.....
Director
For and on behalf of Firestone Diamonds plc

SCHEDULE 3 – (Documents to be delivered by the Company)

The Company shall deliver the following documents to Canaccord immediately following the execution of this Agreement:

1. A certified copy of the signed minutes of the meeting of the board of directors of the Company (or a duly constituted and authorised committee of the board) approving:
 - 1.1. the Placing;
 - 1.2. the Presentation;
 - 1.3. the Legal Opinions
 - 1.4. responsibility for and the form and release of the Press Announcement;
 - 1.5. the form and execution of this Agreement;
 - 1.6. the making of the Application; and
2. A certified copy of the Press Announcement.
3. A certified copy of the Presentation.
4. The Verification Notes and copy of supporting documentation.
5. The Legal Opinions.

SCHEDULE 4 – (Mining Licences)

Licence Number	Type of Licence	Licence Area	Percentage Interest in Licence and Subsidiary that holds interest	Colloquial Reference of Licence Area
PL33/2007	Prospecting Licence	Central District	80% Monak Ventures (PTY) Limited	BK11
PL30/2006	Prospecting Licence	Kgalagadi District	100% Firestone Diamonds Botswana (PTY) Limited	Tsabong
PL31/2006	Prospecting Licence	Kgalagadi District	100% Firestone Diamonds Botswana (PTY) Limited	Tsabong
PL32/2006	Prospecting Licence	Kgalagadi District	100% Firestone Diamonds Botswana (PTY) Limited	Tsabong
PL33/2006	Prospecting Licence	Kgalagadi District	100% Firestone Diamonds Botswana (PTY) Limited	Tsabong
PL34/2006	Prospecting Licence	Kgalagadi District	100% Firestone Diamonds Botswana (PTY) Limited	Tsabong