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Firestone Diamonds

IT WILL be an important few months for this small diamond producer. Firestone will shortly begin drilling for so-called diamondiferous kimberlite in the Mopipi area of Botswana. The company is very optimistic after soil samples revealed an exceptionally high count of the minerals that often indicate the presence of diamonds. If Firestone's hopes are borne out, Mopipi could transform its prospects.

In the meantime, Firestone is profitably producing diamonds, often of two carats or more, from its Oena Mine on the Orange River, on the border between South Africa and Namibia. De Beers, which still controls two-thirds of the world's diamond market, has suggested there could be a severe shortage of stones over the next few years. Philip Kenny, Firestone's chief executive, believes this could cause a 30%-50% lift in normally stable diamond prices — and perhaps much more for the large stones found at Oena.

At 80p, the shares have come off the high they reached after the March results. With Oena underpinning much of the current price, Firestone offers an interesting each-way bet.