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If you have sold or otherwise transferred all of your shares in Firestone Diamonds PLC (the “**Company**”) please forward this document, together with the accompanying form of proxy (“**Form of Proxy**”), at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document does not contain an offer of transferable securities to the public within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) and does not constitute a prospectus within the meaning of section 85 of FSMA.

The Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable cause to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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# Firestone Diamonds PLC

*(incorporated and registered in England and Wales with company number 3589905)*

## Capital Reorganisation

**Proposed Placing of 172,900,000 New Ordinary Shares of 1 pence each at 8.5 pence per New Ordinary Share**

**Adoption of Share Option Schemes**

**Notice of General Meeting**

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A letter from the Chairman of the Company is set out on pages 5 to 9 of this document.

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Notice of a General Meeting of the Company to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 11.00 a.m. on 2 April 2012 is set out at pages 12 to 15 of this document. A Form of Proxy for use at the General Meeting accompanies this document and to be valid must be completed and returned in accordance with the instructions set out thereon as soon as possible but in any event so as to reach Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the General Meeting.

This document does not constitute or form part of any offer or invitation to purchase, subscribe for or sell any shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor.

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In accordance with the AIM Rules for Companies, this document is available to Shareholders on the Company’s website, [www.firestonediamonds.com](http://www.firestonediamonds.com) free of charge.

This document contains statements that are or may be forward looking with respect to the financial condition and operations of the business of the Company. These statements can be identified by the use of forward looking terminology such as “believe”, “expects”, “plan”, “should”, “may” or comparable terminology indicating expectations or beliefs concerning future events. These forward looking statements include risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors which could or may cause actual developments to differ materially from those expressed or implied by such forward looking statements. The Company disclaims any obligation to update any such forward looking statements to reflect future events or developments. **An investment in the Company involves a high degree of risk and could lead to some or the whole of the investment being lost.**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document and posting to Shareholders	15 March 2012
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 31 March 2012
General Meeting	11.00 a.m. on 2 April 2012
Record Date and time for implementation of the Capital Reorganisation	6.00 p.m. on 2 April 2012
Admission and dealings in the New Ordinary Shares expected to commence	3 April 2012
Admission and dealings in the Placing Shares expected to commence	3 April 2012
Latest date for despatch of definitive share certificates in respect of the Placing Shares	10 April 2012

## SUBSCRIPTION AND PLACING STATISTICS

Number of Existing Ordinary Shares	372,613,111
Number of New Ordinary Shares in issue following completion of the Capital Reorganisation	372,613,111
Number of Deferred Shares in issue following the Capital Reorganisation	7,079,649,109
Placing Price	8.5p
Number of Placing Shares being placed on behalf of the Company	172,900,000
Proceeds receivable by the Company from Placing Shares (before expenses)	£14,696,500
Number of New Ordinary Shares in issue following Admission of the Placing Shares	545,513,111
Placing Shares as a percentage of the enlarged issued ordinary share capital following Admission	31.69%

## DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	the Companies Act 2006 (as amended);
“Admission”	admission of the New Ordinary Shares pursuant to the Capital Reorganisation or the Placing Shares, as the case may be, to AIM;
“AIM”	the AIM market of the London Stock Exchange;
“Board” or “Directors”	the directors of the Company;
“Capita Registrars”	a trading name of Capita Registrars Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
“Capital Reorganisation”	the subdivision and reclassification of the Existing Ordinary Shares to be effected at the General Meeting;
“Company” or “Firestone”	Firestone Diamonds PLC, a company registered in England and Wales with company number 3589905;
“cpht”	carats per hundred tons;
“ct”	carats;
“Deferred Shares”	deferred shares of 1p each in the Company arising pursuant to the Capital Reorganisation;
“DRA”	a trading name of the DRA Americas Inc group;
“Existing Ordinary Shares”	the ordinary shares of 20p each in issue in the capital of the Company;
“Form of Proxy”	the accompanying form of proxy for use by Shareholders in relation to the General Meeting;
“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on 2 April 2012;
“Group”	the Company and its subsidiaries;
“Key Individuals”	non-executive directors and consultants of the Company or any of its subsidiaries;
“London Stock Exchange”	London Stock Exchange plc;
“Mirabaud”	Mirabaud Securities LLP of 33 Grosvenor Place, London, SW1X 7YH;
“Mtpa”	million tons per annum;
“New Ordinary Shares”	ordinary shares of 1p each in the Company arising pursuant to the Capital Reorganisation;
“Notice of General Meeting”	the notice of General Meeting, set out at the end of this document;
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 15 March 2012 relating to the Placing, between the Company and Mirabaud;
“Placing Price”	8.5 pence per New Ordinary Share;
“Placing Shares”	the 172,900,000 New Ordinary Shares to be issued pursuant to the Placing;
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the notice of the General Meeting at the end of this document;
“Shareholders”	holders of Existing Ordinary Shares or New Ordinary Shares, as the case may be;

<b>“tph”</b>	tons per hour;
<b>“Share Option Schemes”</b>	the Company’s Unapproved Share Option Scheme and the Company’s Unapproved Executive Share Option Scheme proposed to be adopted by the Company pursuant to the passing of the relevant Resolutions at the General Meeting;
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland.

# Firestone Diamonds PLC

(incorporated and registered in England and Wales with company number 3589905)

## Directors:

R. Lucio Genovese (Non-Executive Chairman)  
Tim Wilkes (Chief Executive)  
Angus Ogilvie (Finance Director)  
Paul Sobie (Non-Executive Director)  
Braam Jonker (Non-Executive Director)

## Registered office:

The Triangle  
5-17 Hammersmith Grove  
London  
W6 0LG

15 March 2012

To all Shareholders

## **Capital Reorganisation, Proposed Placing of 172,900,000 New Ordinary Shares of 1 pence each at 8.5 pence per New Ordinary Share, Adoption of Share Option Schemes and Notice of General Meeting**

Dear Shareholder

### **Introduction**

The Company has announced today that it has conditionally raised £14,696,500 (before expenses) through the placing of 172,900,000 New Ordinary Shares at a placing price of 8.5 pence per New Ordinary Share with certain institutional and other investors. The net proceeds of the Placing will be used to increase and improve the production of the pilot treatment plant at the Liqhobong mine, complete the main plant bankable feasibility study of the Liqhobong mine by mid-2012, finance historical debt and for general working capital and increased cash head-room.

Completion of the Placing is conditional upon the passing of Resolutions 1, 4 and 5 set out in the notice of General Meeting at the end of this document.

**The Company has convened a General Meeting for 11.00 a.m. on 2 April 2012 at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU. This document explains the background to, and reasons for the General Meeting, and why the Directors recommend that you vote in favour of the resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.**

### **1. Background and reasons for the Placing**

The Company conducted a strategic review of its operations during January and February 2012 in order to address concerns relating to its operational performance. The review identified the future development of the Liqhobong main treatment plant as the Company's primary value driver. A definitive feasibility study ("DFS") of the main treatment plant will be completed by mid-2012 to be followed by detailed front end engineering and financing during the latter half of calendar year 2012. A summary of the schedule for the proposed future development is set out below. This renewed focus is expected to transform the Company from an early stage development and exploration business to a circa 1 million carat per annum producer by 2015.

### **Development Schedule**

#### **Year Quarter**

2012	Q1	Pilot plant production at ~16,000 - 18,000 carats (currently mining at 35-39 cpht and averaging \$70-100/ct)
	Q2	Pilot plant modifications to increase target production to ~24,000 carats per month, excluding specials
	Q3	DFS for main treatment plant and detailed front end engineering
	Q4	Complete financing for the main treatment plant
2013	Q1	Commence construction of 3.6 Mtpa main treatment plant ("Project 500")
2014	Q2	Main treatment plant commissioning and ramp up and removal of pilot plant

The cost of completing the DFS study is approximately £1.6 million. The main treatment plant is being designed by DRA's dedicated diamond plant design team who have extensive experience of building

diamond plants in Lesotho and elsewhere in Africa. A further £1.9 million is required to increase the height of the tailings dam wall in order to allow for continued production from the pilot plant for the remainder of the calendar year 2012.

The pilot plant at Liqhobong is an interim measure that has to date contributed significantly to ore body knowledge and will continue to contribute operational revenue over the medium term. The focus of the pilot plant is to generate positive operational cash flow through improved diamond value management. To this end, approximately £1.2 million will be invested in the pilot plant to increase capacity from 80 tph to approximately 120 tph, reduce bottle-necks and plant inefficiencies and to reduce diamond breakage especially of larger diamonds. These improvements are expected to reduce operating costs per ton and increase the average \$/carat revenue achieved. The pilot plant will be discontinued once the main treatment plant reaches its target capacity.

On 28 February 2012 the Board of Directors announced that BK11 was placed on temporary care and maintenance. Though the Company remains fully committed to its projects in Botswana, the temporary suspension of operations was to avoid further negative cash flows as a result of technical challenges experienced at the mine exacerbated by lower diamond prices. During the calendar year 2012, the Company will also repay a substantial portion of its £3.8 million total interest bearing loans and borrowings. These payments together with costs relating to the recent corporate restructuring are estimated to total £4.6 million.

The Company also announced that it is in the process of reviewing its strategic options in relation to its exploration portfolio in Botswana with a view to unlock value from these assets. Further guidance on this matter will be announced in due course.

Finally, various Board changes were introduced during the past three months to ensure that the Company has the necessary skills to execute its new strategy. Further additions to the Board and management team are imminent as the Company continues its transformation process.

The Board of Directors have concluded that a capital raising of £14,696,500 would be required to implement the above strategic objectives and to provide the Company with sufficient working capital.

#### Use of Proceeds

The proposed Placing is conditional upon, *inter alia*, the passing of Resolutions 1, 4 and 5 by the Company's Shareholders. The proceeds of the Placing will be used as follows:

Liqhobong Main Treatment Plant DFS	£1.6 million
Liqhobong Plant 2 tailings dam	£1.9 million
Liqhobong Pilot Plant improvements	£1.2 million
BK11 Project care and maintenance costs, debt repayment and corporate restructuring	£4.6 million
Working Capital	£5.4 million
<b>Total</b>	<b><u>£14.7 million</u></b>

## 2. Details of the Placing

The Company has conditionally raised £14,696,500, before expenses, by way of a conditional placing of 172,900,000 New Ordinary Shares at the Placing Price by Mirabaud as agents for the Company. The Placing Shares will represent 31.69 per cent. of the enlarged issued share capital of the Company at Admission. The Placing Shares will, when issued, rank *pari passu* in all respects with the other New Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following their Admission. The Placing Shares have been conditionally placed by Mirabaud as agent of the Company with institutional and other investors in the UK.

Pursuant to the Placing Agreement, the Placing of the Placing Shares is conditional upon, *inter alia*, (i) the passing of resolutions at the General Meeting, to authorise and facilitate the Capital Reorganisation and to give the Directors the authorities to allot New Ordinary Shares and disapply statutory pre-emption rights for the Placing and (ii) Admission occurring on 3 April 2012 (or such later date as the Company and Mirabaud may agree, not being later than 10 April 2012).

The Placing Agreement contains warranties from the Company in favour of Mirabaud in relation *inter alia*, to the Company and its business. In addition, the Company has agreed to indemnify Mirabaud in relation to certain liabilities that they may incur in undertaking the Placing. Mirabaud have the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event that there has been *inter alia* a material breach of any of the warranties or for *force majeure*.

Application will be made for the Placing Shares to be admitted to trading on AIM and it is expected that trading in the Placing Shares will commence on 3 April 2012.

**The Placing is conditional upon the passing of certain Resolutions at the forthcoming General Meeting. If Resolutions 1, 4 and 5 are not passed at the General Meeting, the Company will be unable to complete the Placing, which could have a material impact on the Company's working capital position and the potential value of its shares.**

### 3. Director Dealings

Should Resolutions 1, 4 and 5 be approved at the General Meeting:

Braam Jonker, who has agreed to subscribe for 2,255,215 New Ordinary Shares pursuant to the Placing, will be interested in 2,255,215 New Ordinary Shares in the Company representing an interest of 0.41 per cent. of the total voting rights of the Company.

Lucio Genovese, who has agreed to subscribe for 3,758,692 New Ordinary Shares pursuant to the Placing, will be interested in 5,721,095 New Ordinary Shares in the Company representing an interest of 1.05 per cent. of the total voting rights of the Company.

Tim Wilkes, who has agreed to subscribe for 350,000 New Ordinary Shares pursuant to the Placing, will be interested in 1,028,000 New Ordinary Shares in the Company representing an interest of 0.19 per cent. of the total voting rights of the Company. In addition, Tim Wilkes is interested in 1,650,000 options over New Ordinary Shares in the Company as follows:

Options Held	Option Exercise Price	Expiry Date
650,000	£0.20	29/05/2015
1,000,000	N/A (Long term incentive shares)	25/10/2016

### 4. Share Option Schemes

The Company's current share option schemes, which were approved by the Company in August 1998 and on 11 July 2001 respectively (the "Old Schemes"), have now terminated. There are 13,330,000 options to acquire ordinary shares in the capital of the Company outstanding under the Old Schemes.

The Board wishes to incentivise employees, executive directors and Key Individuals by granting them options over New Ordinary Shares. The Company proposes adopting, subject to Shareholder consent, two new share option schemes, one for employees and executive Directors (the Company's "Unapproved Executive Share Option Scheme") and the other for non-executive Directors and consultants (the Company's "Unapproved Share Option Scheme"). The key terms relating to the Share Option Schemes are set out in the Appendix to this document.

To the extent necessary to grant options under the Share Option Schemes, the Directors are also seeking authority, pursuant to the Act, to grant options up to a nominal amount of £150,000 and also corresponding disapplication of pre-emption rights under the Act up to a nominal amount of £150,000. The Company envisages that the number of New Ordinary Shares which may be issued under both of the Share Option Schemes shall not in aggregate exceed 10 per cent. of the Company's issued share capital at all times.

### 5. Capital Reorganisation

As a result of the current share price of the Existing Ordinary Shares, the Company is unable to issue any further ordinary shares (including the Placing Shares) due to provisions of the Act which prevents a company from issuing shares at less than their nominal value which, in the case of the Existing Ordinary Shares, is 20 pence. Accordingly, in order to complete the Placing, the Company proposes to implement the Capital Reorganisation. **Save for the dilution which will result from the issue of the Placing Shares the interests of existing Shareholders (both in terms of their economic interest and voting rights) will not be diluted by the implementation of the Capital Reorganisation.**

At present, there are 372,613,111 Existing Ordinary Shares in issue. In order to implement the Capital Reorganisation a resolution will be proposed at the General Meeting, to take effect from 6.00 p.m. on 2 April 2012 (or such other date as the Board may determine), whereby each Existing Ordinary Share on the register of members of the Company at 6.00 p.m. on 2 April 2012 (or such other date as the Board may determine) will be divided into:

(i) **1 New Ordinary Share of 1p; and**

(ii) **19 Deferred Shares of 1p each.**

The New Ordinary Shares will have the same rights and benefits as the Existing Ordinary Shares. The number of New Ordinary Shares in issue following the Capital Reorganisation will be unchanged from the number of Existing Ordinary Shares in issue immediately prior to the Capital Reorganisation.

The Deferred Shares, which will not be listed, will be effectively valueless, non-transferable and have no effect on the economic interest of the Shareholders. No share certificates will be issued for the Deferred Shares. Instead it is intended that, in due course, all the Deferred Shares will be repurchased by the Company for an aggregate consideration of £1 and cancelled.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM. Dealings in the Existing Ordinary Shares will cease at the close of business on the date of the General Meeting and dealings in the New Ordinary Shares are expected to commence on the following day (3 April 2012). The ISIN and SEDOL number of the New Ordinary Shares will be the same as the Existing Ordinary Shares and any share certificates for the Existing Ordinary Shares will remain valid for the New Ordinary Shares.

Following the Capital Reorganisation, the Company will have in issue, and Shareholders' individual holdings will be for, the same number of New Ordinary Shares as the number of Existing Ordinary Shares immediately prior to the General Meeting.

Following the Capital Reorganisation, the New Ordinary Shares of the Company will have a nominal value of 1 pence and the Company will therefore be in a position to issue the Placing Shares without breaching the provisions of the Act.

#### **6. Director's general authorities to issue securities and disapply pre-emption rights**

The Directors are seeking additional authority to allot up to £180,019,300 New Ordinary Shares (representing approximately 33 per cent. of the enlarged issued share capital of the Company post the Placing) together with an authority to disapply pre-emption rights in respect of an allotment of up to 27,275,700 New Ordinary Shares (representing approximately 5 per cent. of the enlarged issued share capital of the Company post the Placing) subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems relating to such an allotment.

#### **7. General Meeting**

Set out at the end of this document is a notice convening a General Meeting to be held at 11.00 a.m. on 2 April 2012 at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU. The resolutions which will be put to the General Meeting are:

- (i) to authorise and facilitate the Capital Reorganisation;
- (ii) to approve the rules of the Unapproved Share Option Scheme;
- (iii) to approve the rules of the Unapproved Executive Share Option Scheme;
- (iv) to give the Directors the authorities to allot New Ordinary Shares and disapply statutory pre-emption rights for the Placing and in relation to the grant of options pursuant to the Unapproved Share Option Scheme; and
- (v) to give the Directors general authorities to allot New Ordinary Shares and disapply statutory pre-emption rights.

Whether or not you intend to attend the General Meeting, Shareholders are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to be received by Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the General Meeting. The completion and return of a Form of Proxy will not prevent a Shareholder from attending the General Meeting and voting in person if he/she wishes to do so.

#### **8. Recommendation and voting intentions**

The Board considers that the proposals described in this letter are in the best interests of the Company and of Shareholders as a whole. Accordingly, the Board recommends that Shareholders should vote in favour of the Resolutions to be proposed at the General Meeting. The Directors intend to vote in favour of the



Resolutions in respect of, in aggregate, 2,640,403 Existing Ordinary Shares (representing 0.7 per cent. of the Existing Ordinary Shares).

In accordance with the Act, Resolutions 1 and 5 require the approval of: (i) on a show of hands, not less than 75 per cent. of members present and voting; or (ii) on a poll, members holding not less than 75 per cent. of the total voting rights. A failure to obtain the requisite support of Shareholders at the General Meeting would prevent the Company from proceeding with the Placing. Accordingly, the Board strongly urges all Shareholders to return their Form of Proxy and/or attend the General Meeting.

**The Placing is conditional upon the passing of certain Resolutions at the forthcoming General Meeting. If Resolutions 1, 4 and 5 are not passed at the General Meeting, the Company will be unable to complete the Placing, which could have a material impact on the Company's working capital position and the potential value of its shares.**

Yours sincerely

**R. Lucio Genovese**

*Non-Executive Chairman*

## APPENDIX

### THE SHARE OPTION SCHEMES

#### 1. Unapproved Executive Share Option Scheme

The key terms relating to the Unapproved Executive Share Option Scheme (the “**Executive Scheme**”) are as follows:

- (a) Options to acquire New Ordinary Shares in the Company may be granted at the discretion of the Board or the remuneration committee of the Board to employees and executive directors (together the “**Employees**” and each an “**Employee**”) of the Company and its subsidiaries. Options may also be granted to a personal pension arrangement of and nominated by the Employee.
- (b) It is not intended to obtain the approval of HM Revenue and Customs in respect of the Executive Scheme.
- (c) Options may be granted at any time, subject to any restrictions which result from the application of the AIM Rules or, if applicable, the Model Code or any comparable code which applies to the Company at the time options are granted. Options may be granted from the date of such restrictions being lifted.
- (d) Options must be granted at a subscription price per New Ordinary Shares which is not less than the greater of 1 pence (the nominal value of the Company’s ordinary shares following the Capital Reorganisation) or the market value of a New Ordinary Share on the date of grant unless the Board exercises its discretion to determine otherwise. While the Company’s shares are listed on AIM the price used for the market value of a New Ordinary Share on the date of grant shall be the closing price of a New Ordinary Share on the day before the date of grant.
- (e) No consideration is payable for the grant of an option. Options are not transferable or assignable (other than to a personal representative in the event that an option holder dies).
- (f) The exercise of an option may be made subject to the achievement of specific performance targets or other conditions to be determined by the Board or the remuneration committee.
- (g) In the event that an Employee is transferred to work in another country and the Board is satisfied that due to the transfer the Employee will either (i) suffer a tax disadvantage upon exercising his option or (ii) the Employee will become subject to restrictions on his ability to exercise his option or deal in the shares obtained on exercise, the Employee may at the discretion of the Board exercise all or part of his option in the period commencing three months before or three months after the date of transfer.
- (h) The Company envisages that the number of New Ordinary Shares which may be utilised under all share schemes established by the Company shall not exceed 10 per cent. of the Company’s issued share capital within any 10 year period preceding the date of the grant. This does not include options granted prior to the date when the New Ordinary Shares were first traded on AIM or options which have lapsed or been surrendered.
- (i) Options will vest (become exercisable) in whole or in part in accordance with the vesting date set out in the Employee’s option agreement and set by the Board at the date of grant of an option.
- (j) On death of the option holder the option holder’s personal representatives must exercise the option (whether or not it has vested) within the period determined by the Board but in any event not later than twelve months from the date of death or the tenth anniversary of the date on which the option was granted (whichever is earlier).
- (k) The option holder must still be an Employee at the date of exercise of the option. An option ceases to be exercisable on cessation of employment unless the Employee leaves in certain “good leaver” circumstances (e.g. due to retirement, redundancy or ill-health) in which case he may exercise any option which has vested, within six months of termination. The Board has discretion to: (i) extend this period and/or (ii) allow an option holder to exercise options which have not vested at the date of cessation within such period as they determine (although no option may be exercised after the option period). In the case where an Employee leaves as a “bad leaver” (e.g. due to voluntary resignation or by termination of employment) any option will lapse unless the Board determines that options which have vested may be exercisable.

- (l) In the event of a takeover, reconstruction, liquidation or voluntary winding up of the Company the Executive Scheme sets out provisions for accelerated vesting of options. If the relevant event occurs before the options vest the performance target shall be measured pro rata. If another company obtains control of the Company then options which are not exercised within 40 days of the relevant event lapse. Alternatively, on a takeover, if the acquiring company agrees, option holders may exchange their options for options of a similar value over shares in the acquiring company or its parent and such shares will be subject to the same performance conditions.
- (m) The number and/or the subscription price of the New Ordinary Shares subject to an option may be varied by the Board in the event of a reorganisation of capital (such as a capitalisation or rights issue) subject to an opinion of the auditors of the Company that the variations are fair and reasonable.
- (n) New Ordinary Shares allotted under the Executive Scheme will rank equally with all other New Ordinary Shares of the Company for the time being in issue.
- (o) Unapproved options are afforded no special tax treatment and an Employee may be liable for any tax or social security which arises (excluding employer's national insurance contributions or any equivalent tax arising in any jurisdiction). Accordingly, the Employee may be required to enter into acceptable arrangements to meet any liability for tax and social security.
- (p) The Board will administer the Executive Scheme. The Board may from time to time amend the rules of the Executive Scheme provided that no amendment may be made which would materially affect the existing rights of an Employee unless it has been approved by a majority of option holders and no amendment may be made to certain key features of the Executive Scheme (for example any alteration which would extend the class of person eligible for the grant of options) which is to the advantage of existing or future option holders except with the consent of the Company.
- (q) The Board may terminate the Executive Scheme at any time with the effect that no further options may thereafter be granted although in all other respects the Executive Scheme will remain in force. No options may be granted under the Executive Scheme after the tenth anniversary of the date of grant.

## **2. Unapproved Share Option Scheme**

It is also intended to adopt the Unapproved Share Option Scheme. The main features of the Unapproved Share Option Scheme are similar to the Executive Scheme, save that, Options to acquire New Ordinary Shares may be granted only to non-executive directors or consultants who provide services to any company in the Group and its subsidiaries from time to time.

## NOTICE OF GENERAL MEETING

# Firestone Diamonds PLC

(Company Number 3589905)

**NOTICE IS HEREBY GIVEN** that a General Meeting of the Company will be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 11.00 a.m. on 2 April 2012 for the purpose of considering and, if thought fit, passing the following resolutions (of which resolutions 1 and 5 will be proposed as special resolutions and resolutions 2, 3 and 4 will be proposed as ordinary resolutions):

### SPECIAL RESOLUTION

1. THAT, with effect from 6.00 p.m. on 2 April 2012 (or such other date as the Board of Directors of the Company may determine):
  - 1.1 each of the issued ordinary shares of 20p in the capital of the Company on the register of members of the Company as at 6.00 p.m. on 2 April 2012 (or such other date as the Board of Directors of the Company may determine) be sub-divided into 1 ordinary share of 1p (each a “**New Ordinary Share**”) and 19 deferred shares of 1p each (a “**Deferred Share**”);
  - 1.2 each New Ordinary Share shall have the rights, and be subject to the restrictions, currently vested in the existing ordinary shares of 20p each in the share capital of the Company and the Deferred Shares are to have the rights and be subject to the restrictions set out in the Articles of Association to be adopted pursuant to paragraph 1.3 below; and
  - 1.3 the draft regulations produced to the meeting and initialled by the Chairman for the purpose of identification be adopted in substitution for, and to the exclusion of, the current Articles of Association of the Company.

### ORDINARY RESOLUTIONS

2. THAT, the rules of the Company’s Unapproved Share Option Scheme in the form produced to the meeting be and are hereby approved and that the Directors be and are hereby authorised to do all acts and things necessary or expedient to carry the Unapproved Share Option Scheme into effect.
3. THAT, the rules of the Company’s Unapproved Executive Share Option Scheme in the form produced to the meeting be and are hereby approved and that the Directors be and are hereby authorised to do all acts and things necessary or expedient to carry the Unapproved Executive Share Option Scheme into effect.
4. THAT, conditional on resolution 1 being duly passed, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (and in substitution for any existing authority granted to them) to exercise all of the powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company (“**Rights**”):
  - 4.1 up to an aggregate nominal amount equal to £1,729,000 pursuant to the terms of the Placing (as described in the circular to shareholders of the Company dated 15 March 2012 (the “**Circular**”) of which this notice of meeting is a part);
  - 4.2 up to an aggregate nominal amount of £150,000 in relation to the grant of options pursuant to the Unapproved Share Option Scheme; and
  - 4.3 up to an aggregate nominal amount equal to £1,800,193 (other than pursuant to sub-paragraphs 4.1 and 4.2 above),

provided that this authority shall expire on the earlier of the next Annual General Meeting of the Company or 2 April 2013 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after the expiry of such period and the Directors may allot shares or grant Rights pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

### **SPECIAL RESOLUTION**

5. THAT, conditional on resolutions 1 and 4 being duly passed, the Directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of that Act) of the Company for cash pursuant to the authority conferred on the Directors pursuant to resolution 4 above as if section 561(1) of that Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:
- 5.1 up to an aggregate nominal amount equal to £1,729,000 pursuant to the terms of the Placing (as described in the Circular of which this notice of meeting is a part);
  - 5.2 up to an aggregate nominal amount of £150,000 in relation to the grant of options pursuant to the Unapproved Share Option Scheme;
  - 5.3 (other than pursuant to sub-paragraphs 5.1 and 5.2 above) up to any aggregate nominal amount of £272,757,

and this power shall expire on the earlier of the next Annual General Meeting of the Company or 2 April 2013 but so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or Rights to be granted after such expiry and the Directors may allot equity securities or grant Rights in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

Dated: 15 March 2012

*Registered Office:*  
The Triangle  
5-17 Hammersmith Grove  
London  
W6 0LG

**Notes:**

1. A Shareholder entitled to attend and vote at the General Meeting may appoint one or more persons to attend and, on a poll, to vote instead of him or her. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. A proxy need not be a Shareholder of the Company.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact Capita Registrars on 0871 664 0300 if calling from within the UK (calls cost 10p per minute plus network extras) or +44 (0)20 8639 3399 if calling from outside the UK. Lines are open between 8.30 a.m. and 5.30 p.m., Monday – Friday.
3. A Form of Proxy is enclosed. To be effective, the Form of Proxy, together with any power of attorney or other written authority under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971, of such power or written authority must be completed, signed and deposited with Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.00 a.m. on 31 March 2012.
4. Returning the Form of Proxy will not prevent a Shareholder from attending the meeting and voting in person.
5. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular 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.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered on the register of members of the Company as at 11.00 a.m. on 31 March 2012 or, if the General Meeting is adjourned, on the register of members not less than 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of Existing Ordinary Shares registered in their name at that relevant time. Changes to entries on the register of members after 11.00 p.m. on 31 March 2012 or, if the General Meeting is adjourned, on the register of members not more than 48 hours before the time of any adjourned meeting, will be disregarded in determining the right of any person to attend and vote at the meeting.
7. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
8. In the case of a corporation, the Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST personal members, sponsored CREST members and CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action for them.
10. To complete a valid proxy appointment or instruction using the CREST service, the CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted and received by Capita Registrars (Participant ID “RA10”) 48 hours before the time fixed for the meeting (or adjournment thereof). The time of receipt of the instruction will be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to ensure that his CREST sponsor or voting service provider(s) take(s) the necessary action to ensure that a message is transmitted by means of the CREST system by a particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should refer to the sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat a CREST Proxy Instruction as invalid as set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300 if calling from within the UK (calls cost 10p per minute plus network extras) or +44 (0)20 8639 3399 if calling from outside the UK. Lines are open between 8.30 a.m. and 5.30 p.m., Monday – Friday. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
14. In order to revoke a proxy instruction you will need to inform the Company using one of the following method: By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Capita Registrars by no later than 11.00 a.m. on 31 March 2012.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

15. As at 5.00 p.m. on the date immediately prior to this notice the Company's issued share capital comprised 372,613,111 ordinary shares of 20 pence each ("Ordinary Shares"). Each Ordinary Share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at 5.00 p.m. on the date immediately prior to this notice is 372,613,111.

