

# LIQHOBONG Definitive Feasibility Study

October 2012



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# Liqhobong Diamond Project

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- World's third largest undeveloped kimberlite resource as measured by contained carats
- 75% owned by Firestone Diamonds and 25% by Government of Lesotho
- Indicated and inferred resource of 89m tonnes and 29m carats (down to 510 metres)
- Average production of 1.2m carats p.a. at \$100/carat (3% price escalation p.a.)
- 15 year life of open pit

## Summary of Feasibility Results

	Pre-Tax	Post-Tax
Net Present Value (@8%)	US\$441m	US\$335m
IRR	44%	40%
Payback period – excluding construction period	28 months	28 months
Payback period – including construction period	46 months	46 months

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# Mineral Resource Statement as at 1 July 2012

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Insitu Mineral Resource (Total Resource)			
	Tons	Cpht	Carats
Indicated	37,083,000	30.96	11,480,500
Inferred	51,471,000	33.95	17,476,000
Total Resource	88,554,000	32.70	28,956,500

Open Pit Resource (included in mine model)			
	Tons	Cpht	Carats
Probable Reserves	36,448,000	31.22	11,379,000
Inferred Resource	18,648,000	33.36	6,221,000
Total Resource	55,096,000	31.94	17,600,000

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# Feasibility Study Economics

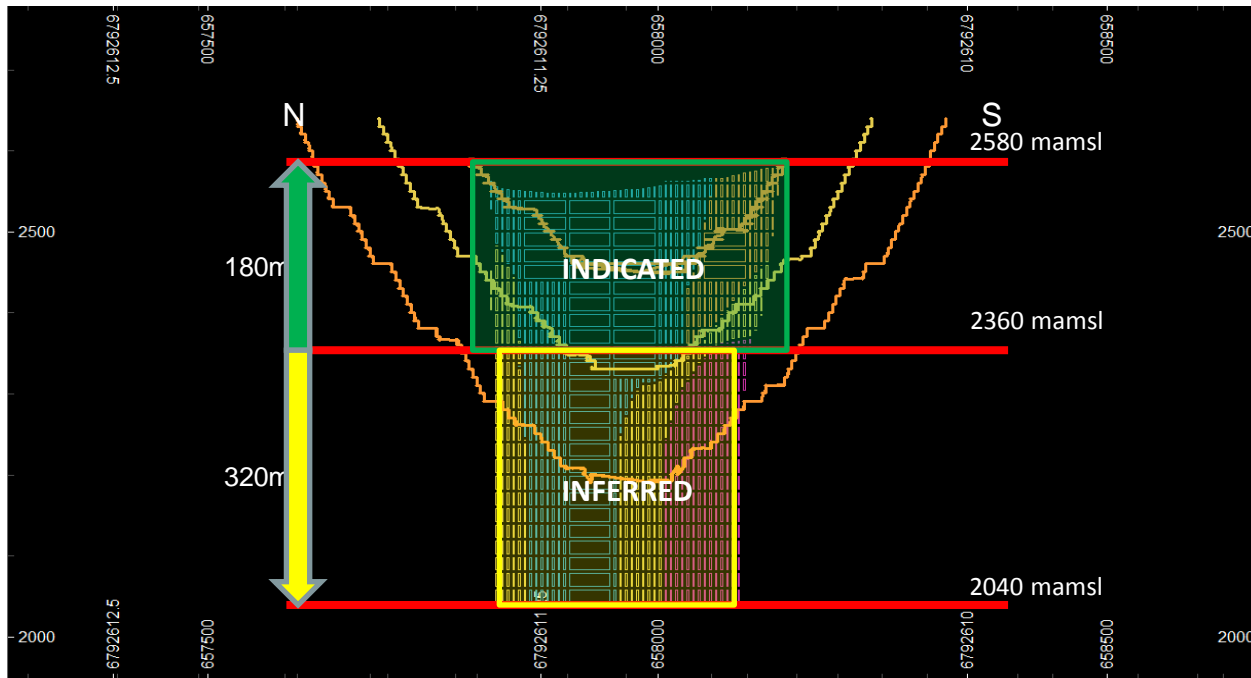
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Key assumptions	
Startup Capex	US\$167m
Stay in Business Capex	US\$16m
Opex Costs	US\$14/ton
Revenue	US\$100/carat*
Annual Production	1.2m carats
Life of Open Pit Mine	15 years

\* 3% price escalation p.a.

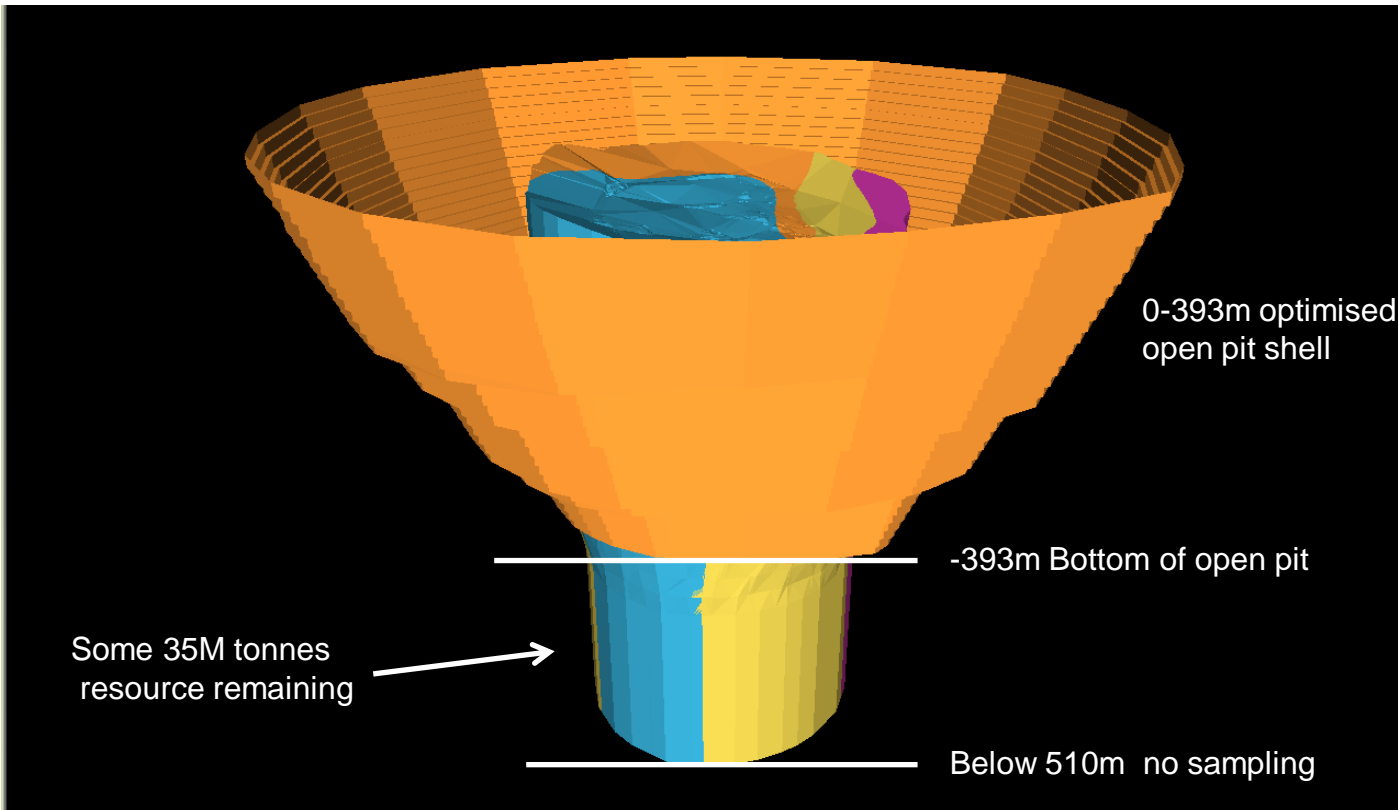
# Liqhobong Plant - Resource

→ Open pit reserves of 55m tonnes and 17.6m carats



# Liqhobong Plant – Resource Upside

→ Resource un-sampled below 510 metres, potential underground mine from 2030



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# Project Upside

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→ Mineral Resource

- Additional inferred resource of 35 million tonnes / ~12 million carats below the open pit to 510 metres with underground mining potential from 2030

→ Diamond Values

- Significance of “specials” not factored into diamond price assumptions
- Blue and Type 2A diamonds not factored into diamond price assumptions
- Main treatment plant designed to recover stones of up to 400 carats

→ Financing

- Debt funding to enhance equity returns



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# Liqhobong Specials

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74 carat light yellow makeable



26 carat white makeable



9 carat fancy yellow



39 carat light yellow makeable

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# Liqhobong Diamond Assortment

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High value white crystals  
1-2.5 carats



High value yellow fancies  
1-2.5 carats

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# Free Cash Flow

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→ Per tonne life of mine economics assuming current life of mine

	US\$/tonne*
Revenue	42.65
Royalty, sales & marketing	(4.13)
Opex cost	(14.15)
<b>Margin</b>	<b>24.37</b>
Annual Production (run of mine)	3.6m tonnes
Average Annual Free Cash flow (Real terms)	US\$88m

\* Per tonne of rock treated

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# Capital & Operating Costs – Economic Assumptions

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- Mining outsourced to specialist local contractor
- Plant operation outsourced to proven industry contractor
- Exchange rate of ZAR 8.42 : 1 US\$, 5% escalation for the first two years, fixed thereafter
- Working capital funded separately
- Discount rate of 8%

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# Capital Costs– Breakdown

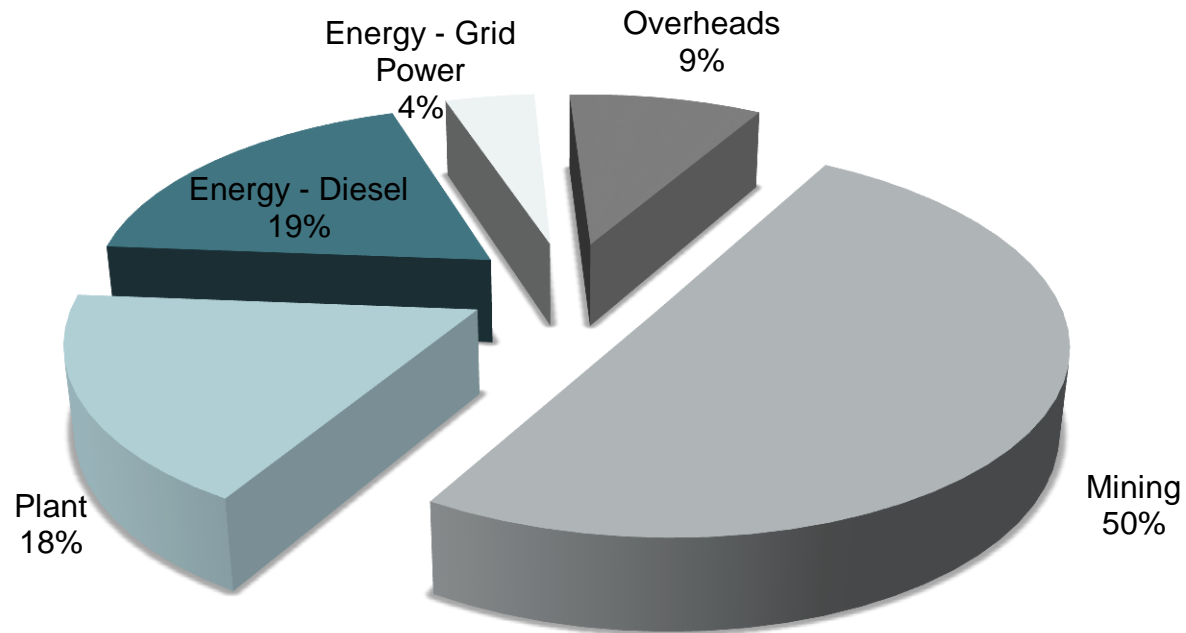
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Cost	US\$'m
Main Treatment Plant	86.8
Infrastructure	23.8
Slimes Dam	33.4
Grid Power	9.8
<b>Subtotal</b>	<b>153.8</b>
Contingency	13.5
<b>Total</b>	<b>167.3</b>

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# Operating Costs – Breakdown

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Total cost of US\$14.15/tonne processed

# Sensitivity Analysis

## Project NPV (US\$'m)

	Discount Rate	Grade cph	Diamond Value US\$/ct	Opex US\$/tonne	R/USD FX Rate		Capex US\$'m
-20%	402	205	182	414	228	-10%	348
Base Case	335	335	335	335	335	Base Case	335
+20%	279	448	470	256	391	+10%	322

## Project IRR

	Discount Rate	Grade cph	Diamond Value US\$/ct	Opex US\$/tonne	R/USD FX Rate		Capex US\$'m
-20%	40%	28%	26%	48%	26%	-10%	42%
Base Case	40%	40%	40%	40%	40%	Base Case	40%
+20%	40%	49%	52%	32%	52%	+10%	36%

# Preliminary Development Schedule

Year	2012				2013				2014				2015			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Environmental Impact Assessment Study approved in August 2012	█	█	█													
Mining Lease	█															
Initial equity/loan financing				█	█	█										
Debt financing				█	█	█										
Site mobilisation						█	█									
Road construction						█	█									
Contractor camp						█	█									
Earthworks for slimes dam						█	█	█								
Construction commencement								█	█	█	█	█	█			
Commissioning													█	█	█	
Full production																█



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# Financing Plans

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- Debt funding through project finance expected to represent ~ 60% of capital requirement combined with diamond off-take agreements and other marketing arrangements
- Balance funded through an increase in capital

# Project Risks

Area	Consequence	Mitigation
Project Finance	Project delayed	Alternative financing
Village Relocation	Slimes dam wall delayed	Negotiation at an advanced stage
Project Execution	Project delayed	Engaged experienced owners team, strengthen management team
Installed Grid Power	+\$2.5/ton opex cost	Continued discussion with Government
Plant Design	Lower throughput	Thorough due diligence on design supported by pilot plant production information
Breakage of Specials	Lower revenue	Plant redesign to capture 400 carat stones
Security of Product	Lower revenue	Improve security team and systems
Tailings Disposal	Environmental impact	Design costed and approved

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# Independent Consultants Mandated for the DFS

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Study Area	Consultants
Plant & Infrastructure Design and DFS	DDRA Mineral Projects
Mineral Resource Estimation	Zstar Mining Mineral Resource Consultants Pty Ltd
Sampling Verification	AC Howe
Geological Modeling Due Diligence	MPH Consulting Limited
Financial Modeling and Mine Plan Sign off	Snowden Mining Industry Consultants Pty Ltd
Ground Water, Geochemistry and Geotechnical Studies	Golder Associates Africa Pty Ltd
Geotechnical Drilling Campaign	Diabor Pty Ltd
Primary Residue Storage Facility Design	Golder Associates Africa Pty Ltd
Alternative Residue Storage Facility Design	Geo Tail Pty Ltd