Firestone Diamonds Corporate Overview
July 2011

*Transforming Firestone into a Major Diamond Producer*
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1 Introduction
Company Background

- **Focused on Lesotho and Botswana**
  - Lesotho is emerging as a significant, high-value diamond producer
  - Botswana is world’s biggest and lowest cost diamond producer
  - Both countries stable economically and politically

- **High quality portfolio of projects**
  - Production - Liqhobong & BK11
  - Evaluation – 176 kimberlites in the Orapa, Tsabong and Kokong kimberlite fields
  - Exploration – significant potential for further discoveries at Tsabong and Kokong

- **One of 3 listed kimberlite producers outside the majors**
Diamond prices have recovered strongly...
... and reserves are declining

Reserves of major operating mines / annual production

Source: BHP Billiton, De Beers, Firestone estimates
Location of Firestone’s projects
2 Liqhobong Mine
Liqhobong

- One of the most attractive undeveloped kimberlite resources in the world
  - Third largest in contained carats after Gahcho Kue & Star (both in Canada)
  - Fourth largest in tonnes after Star and Orion South (both in Canada) and Gope (Botswana)
  - Capital costs expected to be very substantially lower
Liqhobong Background

- Situated in the Lesotho Highlands
- Originally discovered in 1950’s
  - Main Pipe
    - 8.6 ha
    - 90Mt @ 34cpht and $130/ct
    - Revenue $51/t; est. costs $13/t
    - $4.6B gross value
- Mining licence in place
  - Produced from 2005-2008
  - Firestone acquired in Q4 2010, and resumed production in Q1 2011
- 75% owned by Firestone and 25% by Government
Main Pipe Geological Model

K5
• Approx. 33.1% of Main Pipe
• High grade (43 cpht)
• Enlarges at depth
• Contains large & high value stones

K6
• Approx. 22.7% of Main Pipe
• High grade (36 cpht)
• Enlarges at depth
• Large framesite diamond found (>250 cts)

K2
• Comprises 37.1% of Main Pipe
• Grade of 26 cpht
• Decreases in volume at depth

K4
• Approx. 7.1% of Main Pipe
• Only found in upper levels
• Grade of 32 cpht
### Mineral Resource Statement

<table>
<thead>
<tr>
<th>Liqhobong Mineral Resource</th>
<th>Tonnes (M)</th>
<th>Grade (cpht)</th>
<th>Carats (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated</td>
<td>38.5</td>
<td>31.3</td>
<td>12.0</td>
</tr>
<tr>
<td>Inferred</td>
<td>52.3</td>
<td>33.9</td>
<td>17.7</td>
</tr>
<tr>
<td>Total Resource</td>
<td>90.8</td>
<td>32.8</td>
<td>29.7</td>
</tr>
</tbody>
</table>

Note: Signed off independently by ACA Howe and MPH Consulting
## Open pit optimisation scenarios

<table>
<thead>
<tr>
<th></th>
<th>Revenue ($/ct)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>86</td>
</tr>
<tr>
<td>Reserves (M tonnes)</td>
<td>61</td>
</tr>
<tr>
<td>Carats (M)</td>
<td>19.5</td>
</tr>
<tr>
<td>Av. Grade (cpht)</td>
<td>32</td>
</tr>
<tr>
<td>Av. Strip Ratio</td>
<td>1.9</td>
</tr>
<tr>
<td>Pit Depth (m)</td>
<td>390</td>
</tr>
<tr>
<td>Open Pit Life (years)</td>
<td>17</td>
</tr>
</tbody>
</table>
Cut 1 – 2011 to 2015

- 10 M tonnes,
- 3.7M carats,
- K5 and K6 units
- Maximise revenue,
- Minimise stripping
Plant 1, Q1 2011
## Plant 1 and 2 Expansion Plans

<table>
<thead>
<tr>
<th>Plant</th>
<th>Capacity (mtpa)</th>
<th>Development schedule</th>
<th>Monthly Carats</th>
<th>Annual revenue ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.36</td>
<td>Q1 ’11</td>
<td>11,500</td>
<td>$18</td>
</tr>
<tr>
<td>1</td>
<td>0.65</td>
<td>Q2 ’11</td>
<td>18,500</td>
<td>$29</td>
</tr>
<tr>
<td>1</td>
<td>1.3</td>
<td>Q1 ’12</td>
<td>37,000</td>
<td>$57</td>
</tr>
<tr>
<td>2</td>
<td>4.2</td>
<td>Q1 ’14</td>
<td>122,000</td>
<td>$200</td>
</tr>
</tbody>
</table>

- Plant 2 capex of $70m to be funded by 70% debt/30% equity and out of cash flow
12 Month Tonnage and Carat Forecast

- Tonnage and Carat Forecast for 12 months, showing a significant increase in both categories from January 2011 to June 2012.

**Legend:**
- **Blue Bars:** Tonnage treated
- **Red Line:** Carats
12 Month Revenue Forecast
Daily Production

June 3rd 2011 - 565 carats

June 15th 2011 - 532 carats
“Specials” not included in $149/ct valuation

- 13.3 Vivid yellow  $35,136/ct  $468,000
- 9.9 Fancy yellow   $10,149/ct  $100,000
- 6.0 Fancy yellow   $10,066/ct  $60,000
“Specials” not included in $149/ct valuation

140ct D colour stone crushed at plant

27 ct fragment sold for $748K ($27,000/ct)
Liqhobong Update – July 2011

Mining
- Satellite pipe
  - Excavation for raw water dam complete
  - +100,000 tonnes of ore stockpiled
  - Water being transferred from Main Pipe dams
- Main Pipe
  - Mining of K2 progressing well
  - Draining of dams commenced in preparation to mine K5

Production
- No 1 Plant tonnage throughput above plan
- Recovered grade higher than reserve grade (125% MCF’s)
- Revenue is up to $51/ton
- Sorthouse revamped, increased security
- Diamond production for August tender on track
Main Pipe

- ~3,000 tonnes of K5 mined and treated as test for 3 days
  - 4 high quality diamonds recovered
  - Excessive fines reduced DMS performance
  - New wet front end will address the problem
  - K5 processed through new frontend in August and September
July Recoveries from K5
Outlook

- **Opportunities**
  - Grade increases
    - Positive mine call factors recorded ~20% higher than resource
    - Higher grade of K5/K6 with depth
  - $/ct upside
    - Supply demand and market conditions
    - Recovery of specials, fancies and large stones
  - Tonnage Throughput
    - Engineering availability @68% should be bettered

- **Challenges**
  - Water Supply
    - Prolonged dry season (Aug-Nov) will put pressure on water supply to plant
    - Heavy rainy season (Nov-Feb) may delay civils on plant expansion
3 BK11 Mine
Firestone kimberlites in the Orapa area
BK11 History

- Firestone has 90% interest, local partners 10%
- Resource of 12 Mt to 120 metres
  - Revenue up to $24/t; operating costs of ~$9/t
- Commercial production commenced July 2010
- Expected 10 year mine life
BK11 Diamonds

- 8 grainers (2 caraters) high colour and quality - $1,200/ct
BK11 Pit – Q2 2011

Drilling on K1 Kim-980m level

Load & Haul – 990m level
Processing Plant – Q1 2011
Secondary crusher being commissioned
BK11 Update – July 2011

- **Mining**
  - Stripping ahead of plan
  - Mining on bench 4 exposing less diluted ore

- **Production**
  - Plant tonnage throughput on plan
  - Mobile secondary crushers in production ~ 2 weeks
  - Marked increase in grade noted from bench 4 (from 2cpht to 4cpht)
  - Recrushing of bench 4 oversize in progress
  - NB economic cut-off grade ~ 5cpht
4 Orapa Satellite Kimberlites
Firestone has 21 kimberlites in the Orapa area, 14 with diamonds.
BK16

- Sampled by De Beers in 1990’s
  - 15 cpht; contains high value diamonds, similar to BK11
- Bigger resource potential than BK11
  - 17m tonnes to 200m
- Firestone earning 87.5% interest for carrying to bankable feasibility
  - Evaluation to commence once BK11 in full production
5 Tsabong
Tsabong Background

- One of the largest diamondiferous kimberlite fields in the world
  - 84 known kimberlites; 20 diamondiferous
  - MK1 kimberlite - 146 hectares, diamondiferous

![Diagram showing various kimberlite fields and their areas.](image)
**Tsabong Summary**

- Limited evaluation since first discoveries in the 1980’s
- Substantial exploration carried out by Firestone
  - 50 sq km ground geophysics
  - 22,000 metres of drilling
  - 2 t of microdiamond samples
  - 6 kimberlites bulk sampled
- Prospects for economic discovery are good
  - Similar geological setting to Jwaneng
  - Macrodiamonds recovered from 5 kimberlites
  - Botswana economic ratio of 8% is in our favour
6  Kokong
Kokong Summary

- Limited evaluation since first discoveries in the 1980’s
- Substantial exploration carried out by Rio Tinto from 2002-2007, little evaluation undertaken
- Prospects for economic discovery are good
  - 76 kimberlites, 18 diamondiferous
  - Similar geological setting to Jwaneng
  - 1 ton samples taken from 6” RC holes
  - Botswana economic ratio of 8% is in our favour
  - Average size of Kimberlites 38ha, biggest 155ha
  - K295, 70ha, has yielded 40 diamonds
  - Some 200 targets untested
Kalahari Sediments (sand, silcrete, calcretes, sandstone) Fine to coarse oxidised RVK (claystone, siltstone, sandstone)

Fine RVK (finely laminated claystones, clasts of siltstone and sandstone) Medium to coarse oxidised RVK (claystone, siltstone, sandstone, tuff)

?Pyroclastic / Hyperbyssal Kimberlite? - Not intersected

Country rock (Karoo Formation)

BEST DRILLING RESULTS - K295

SN

K295-01/02 257.7 m
K295-03 181 m
KS31-01 138 m
KS31-02 205 m
KS31-02 234 m

181 m

138 m

257.7 m

205 m

234 m

100 m
7 Outlook
Tenders and Prices

- BK11 and Liqhobong diamonds cleaned and sold locally in Gaborone under contract by independent consultants – First Element Pty Ltd
- To date, 2 international diamond tenders held in Dec 2010 and April 2011
- Third tender currently in progress, with 32 international buyers attending from India, Israel, Belgium, RSA and Botswana

<table>
<thead>
<tr>
<th></th>
<th>Liqhobong</th>
<th>Liq Main</th>
<th>BK11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 10</td>
<td>65</td>
<td>86</td>
<td>155</td>
</tr>
<tr>
<td>Dec 10 - Tender</td>
<td>98</td>
<td>110</td>
<td>177</td>
</tr>
<tr>
<td>Apr 11 - Tender</td>
<td>110</td>
<td>130</td>
<td>202</td>
</tr>
<tr>
<td>Jun 11 - Tender</td>
<td>123</td>
<td>149</td>
<td>235</td>
</tr>
</tbody>
</table>

- A further 3 tenders planned for 2011 and 6 in 2012
18 Month Sales Forecast
## Resource Summary

<table>
<thead>
<tr>
<th>Resource</th>
<th>BK11</th>
<th>Lighobong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tonnes (Mt)</td>
<td>11.1</td>
<td>90.6</td>
</tr>
<tr>
<td>Grade (cpht)</td>
<td>8.5</td>
<td>34.3</td>
</tr>
<tr>
<td>Carats (Mcts)</td>
<td>0.9</td>
<td>31.1</td>
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<tr>
<td>Diamond value</td>
<td>$235</td>
<td>$149</td>
</tr>
<tr>
<td>Gross value ($m)</td>
<td>$211</td>
<td>$4,634</td>
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### Economics

<table>
<thead>
<tr>
<th></th>
<th>BK11</th>
<th>Lighobong</th>
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<tbody>
<tr>
<td>Revenue ($/t)</td>
<td>$20</td>
<td>$51</td>
</tr>
<tr>
<td>Est operating cost ($/t)</td>
<td>$9.5</td>
<td>$13</td>
</tr>
<tr>
<td>Est margin (%)</td>
<td>53%</td>
<td>75%</td>
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<tr>
<td>Production capacity (Mtpa)</td>
<td>1.5</td>
<td>4.2</td>
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<tr>
<td>Annual revenue ($M)</td>
<td>$30</td>
<td>$214</td>
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<tr>
<td>Annual profit ($M)</td>
<td>$16</td>
<td>$160</td>
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<tr>
<td>Life of mine</td>
<td>9-10</td>
<td>20+</td>
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</table>
5 Year Revenue Forecast

![Revenue Plan Chart](chart.png)
## Firestone’s Kimberlite Portfolio

<table>
<thead>
<tr>
<th>Field</th>
<th>Total Kimberlites</th>
<th>FD Kimberlites</th>
<th>%</th>
<th>FD K's With Diamonds</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orapa</td>
<td>75</td>
<td>22</td>
<td>29.3%</td>
<td>15</td>
<td>68.2%</td>
</tr>
<tr>
<td>Jwaneng</td>
<td>11</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Tsabong</td>
<td>86</td>
<td>86</td>
<td>100.0%</td>
<td>18</td>
<td>20.9%</td>
</tr>
<tr>
<td>Kokong</td>
<td>76</td>
<td>68</td>
<td>89.5%</td>
<td>18</td>
<td>26.5%</td>
</tr>
<tr>
<td></td>
<td>248</td>
<td>176</td>
<td>71.0%</td>
<td>51</td>
<td>29.0%</td>
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## Valuation

<table>
<thead>
<tr>
<th></th>
<th>Diamond value ($/ct)</th>
<th>NPV (£m) ¹</th>
<th>Diamond value ($/ct)</th>
<th>NPV (£m) ²</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BK11</strong></td>
<td>$235</td>
<td>£53</td>
<td>$255</td>
<td>£60</td>
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<tr>
<td><strong>Liqhobong</strong></td>
<td>$149</td>
<td>£277</td>
<td>$170</td>
<td>£402</td>
</tr>
<tr>
<td><strong>Orapa Kimberlites</strong></td>
<td>?</td>
<td></td>
<td>?</td>
<td></td>
</tr>
<tr>
<td><strong>Tsabong Kimberlites</strong></td>
<td>?</td>
<td></td>
<td>?</td>
<td></td>
</tr>
<tr>
<td><strong>Kokong Kimberlites</strong></td>
<td>?</td>
<td></td>
<td>?</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>£330</strong></td>
<td></td>
<td><strong>£462</strong></td>
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</tbody>
</table>

*Note:*
1. Using 10% discount rate and 3% real diamond price inflation.
2. Using 10% discount rate, diamond price 15% above last sales price and 3% real diamond price inflation.
Corporate Information

- Shares in issue: 324 million
- Market cap @30p = £97m

- Major shareholders
  - Audley Capital – 10%
  - Legal & General – 10%
  - Gartmore – 9.8%
  - JPMorgan – 9.8%
  - Lanstead – 4.3%
  - AXA/Framlington – 3.1%
Summary

- High quality portfolio of projects
  - Production - Liqhobong & BK11
  - Evaluation – 176 kimberlites in Orapa, Tsabong and Kokong kimberlite fields
  - Exploration – significant potential for further discoveries at Tsabong and Kokong

- Strong management team

- Short term cash flow

- Target becoming one of the leading mid-tier diamond producers
  - Production of >1 million carats pa by 2014
## Financing Plans

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liqhobong Plant 2 tailings dam</td>
<td>4.4</td>
</tr>
<tr>
<td>Liqhobong Plant 2 DFS</td>
<td>1.0</td>
</tr>
<tr>
<td>Liqhobong Plant 1 improvements</td>
<td>3.5</td>
</tr>
<tr>
<td>BK11 power line</td>
<td>1.3</td>
</tr>
<tr>
<td>Botswana kimberlite evaluation</td>
<td>0.5</td>
</tr>
<tr>
<td>Working capital and other purposes</td>
<td>2.1</td>
</tr>
<tr>
<td>Net proceeds of placing</td>
<td>12.8</td>
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</tbody>
</table>