



FIRESTONE DIAMONDS

Corporate Overview
September 2009

Topics

1 Introduction

2 The Diamond Market & Botswana

3 BK11 & Orapa Projects

4 Jwaneng Tailings

5 Tsabong

6 Outlook

Appendices

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1 Introduction

Company Background

- ▶ **Right location - Botswana**
 - World's biggest and lowest cost diamond producer
 - Stable economically and politically
 - High success rate – 8% of kimberlites economic vs. 1% worldwide
- ▶ **High quality, diverse portfolio of projects**
 - BK11 – cash flow in H2 2010
 - Jwaneng - low risk toll treatment; +\$1b revenue potential
 - Tsabong – potential world class project; 85 kimberlites to evaluate
 - Other projects in Botswana, including BK16

Management Team

▶ **Philip Kenny, CEO**

- 25 years in mining and oil and gas sectors and 14 years in the diamond sector
- Co-founder of Firestone in 1998

▶ **Tim Wilkes, COO**

- 28 years in diamonds; ex-general manager of Mineral Resource Management and Competent Person at De Beers
- Worked extensively at Orapa and Damtshaa mines in Botswana
- Joined Firestone in 2005

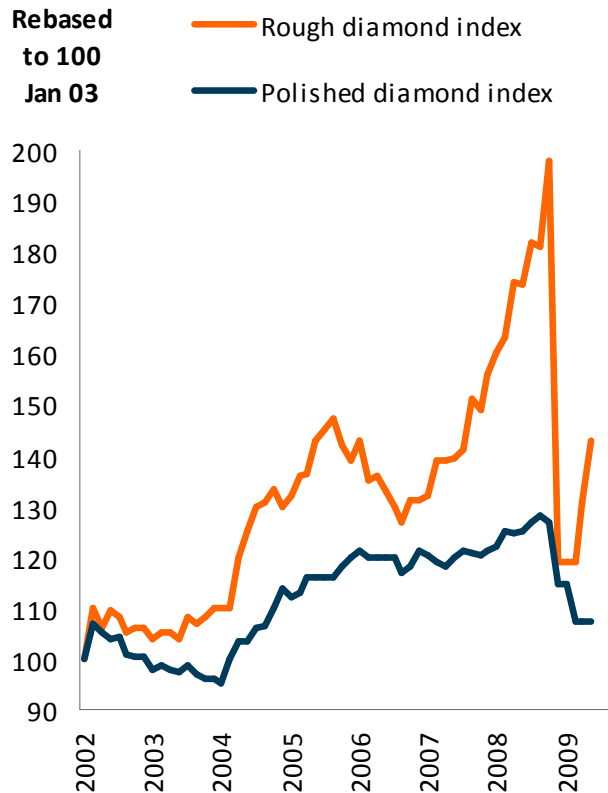
▶ **Jan Louw, Director of Operations**

- 25 years in mining and 6 years in diamonds; pioneered development of small gold mines for Anglo American
- Responsible for Firestone's 3 diamond mines in South Africa
- Joined Firestone in 2003

2 The Diamond Market & Botswana

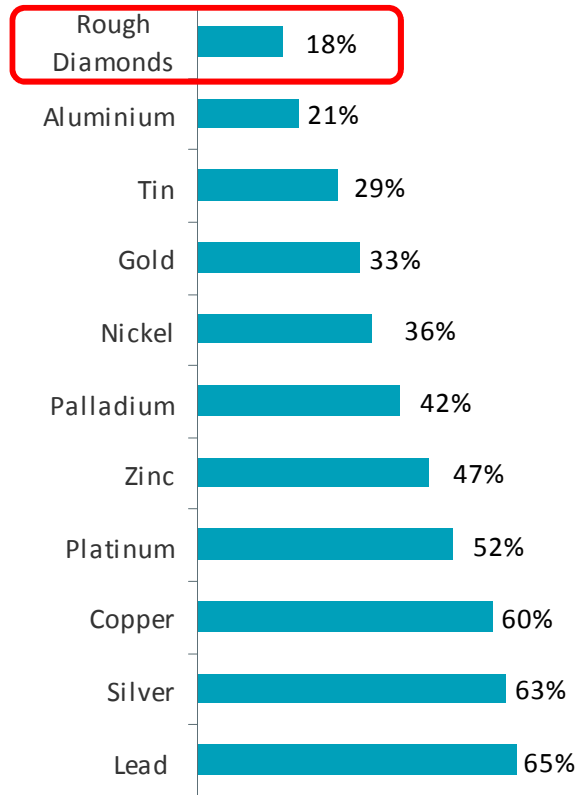
Diamond market performance

Rough and polished diamond prices



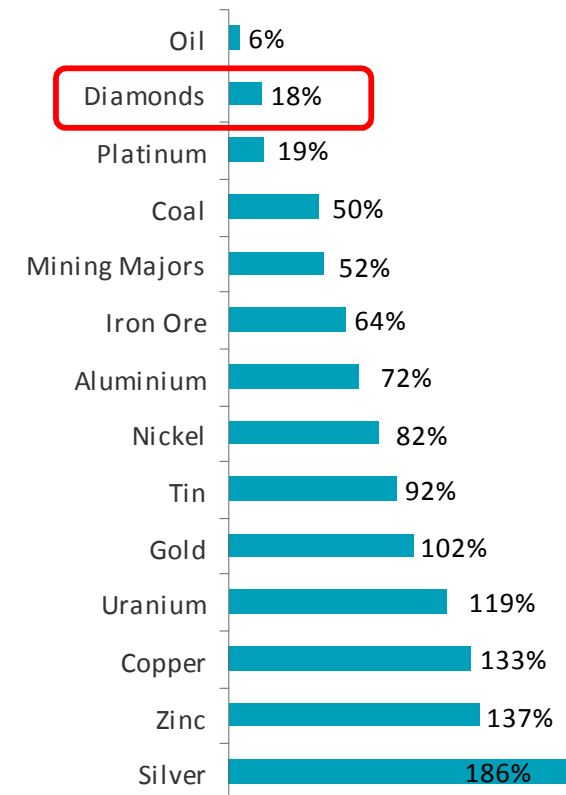
Source: WWW Diamond Forecasts, Q1 09; De Beers

Commodity prices – increase from 12 month low



Source: Mineweb, May 09; De Beers

Commodity shares – increase from 12 month low

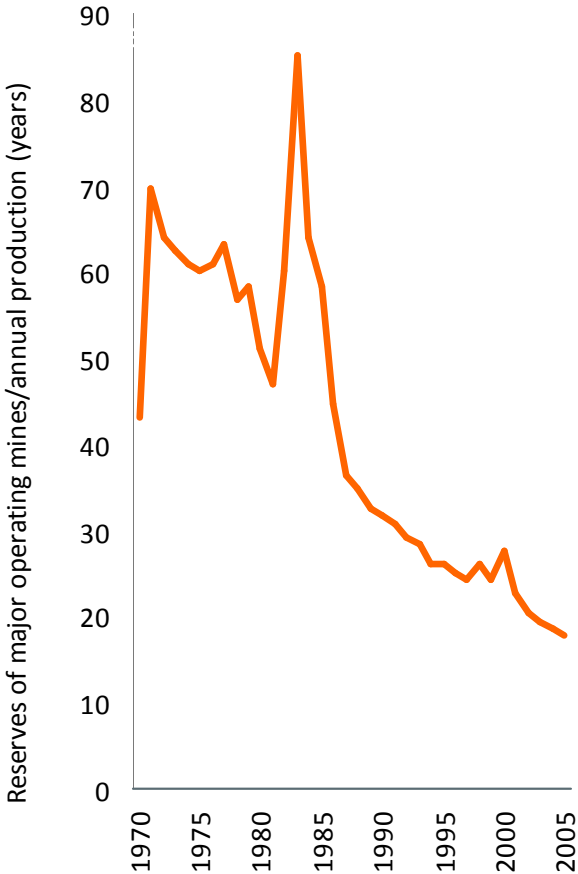


Source: Mineweb, May 09

Rough price drop in Q4 08 largely credit driven; diamond price recovery only started Q2 09

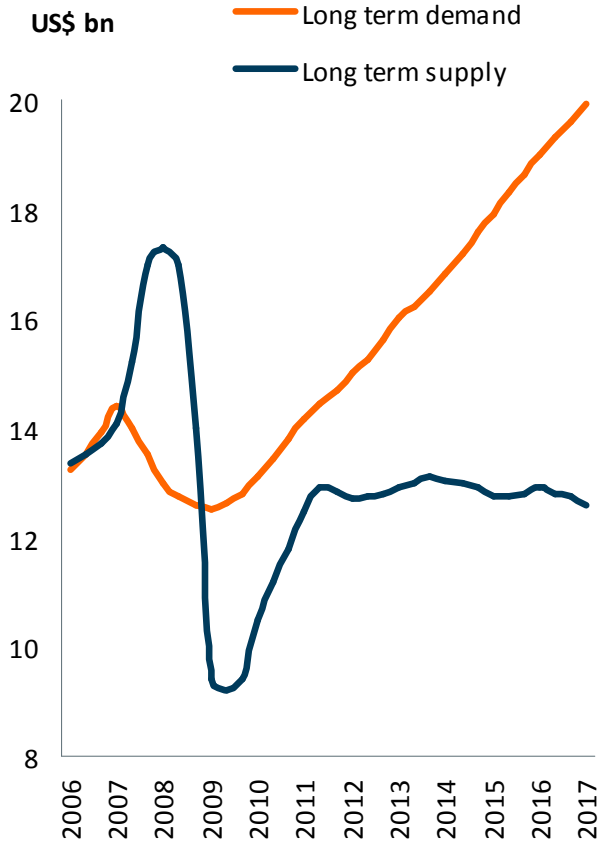
Long term supply/demand imbalance

Reserves of major operating mines / annual production



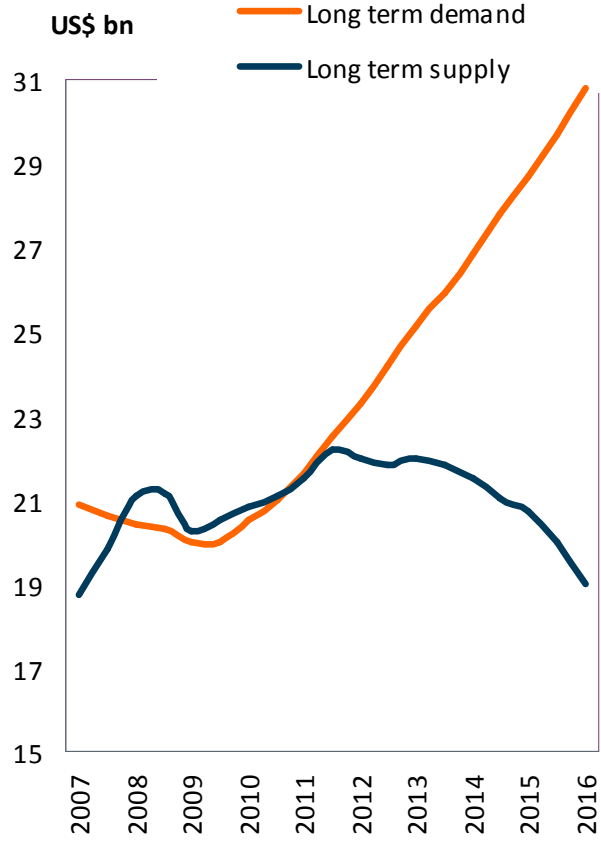
Source: BHP Billiton, De Beers, Firestone estimates

Supply and demand - rough diamonds



Source: WWS Diamond Forecasts; at Q1 09 prices

Supply and demand - polished diamonds



Source: De Beers; at Nov 08 prices

Diamond price recovery will be driven by stronger fundamentals than most other commodities

Why Botswana?

- ▶ **World's largest diamond producer**
 - 25% by value
 - Debswana – 50/50 JV between De Beers and Botswana government

- ▶ **World's lowest cost producer**
 - good climate and infrastructure
 - stable politics - multiparty democracy since 1966
 - A2 credit rating by Moody's (same as Poland, South Korea)

- ▶ **Lowest economic threshold of major kimberlite producing regions**
 - Northern Canada, Russia ~ \$100-120/tonne
 - Angola, DRC ~ \$25-50/tonne
 - Botswana ~ \$8-10/tonne

Diamonds in Botswana

Firestone interests in Botswana

Orapa

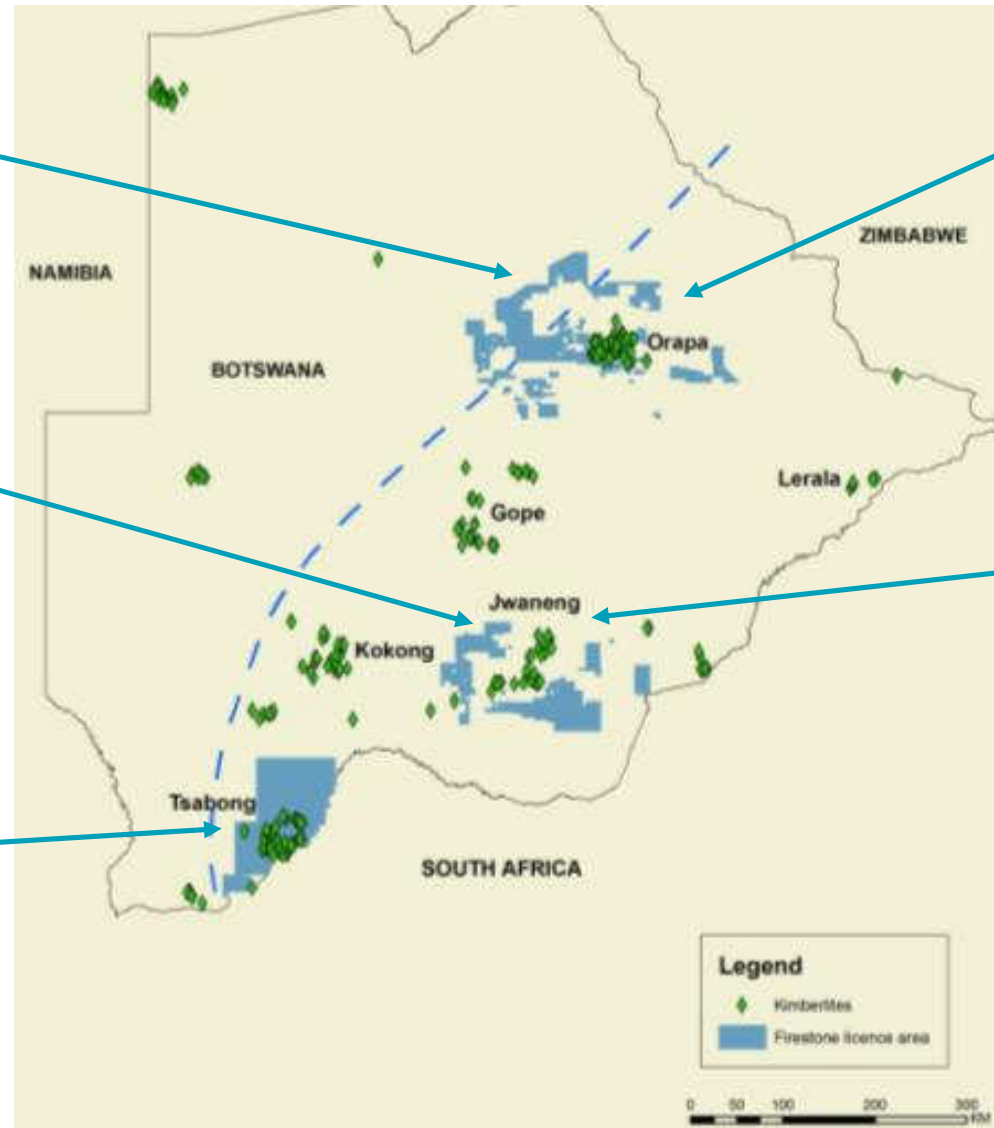
- ▶ BK11 & BK16 advanced evaluation projects
- ▶ Licences over 14,000 sq km

Jwaneng

- ▶ Jwaneng Tailings Project
- ▶ Licences over 4,600 sq km

Tsabong

- ▶ 85 kimberlites, 19 with diamonds
- ▶ 14 kimberlites at bulk sampling stage
- ▶ Licences over 7,500 sq km



Producing kimberlite fields in Botswana

Orapa Field

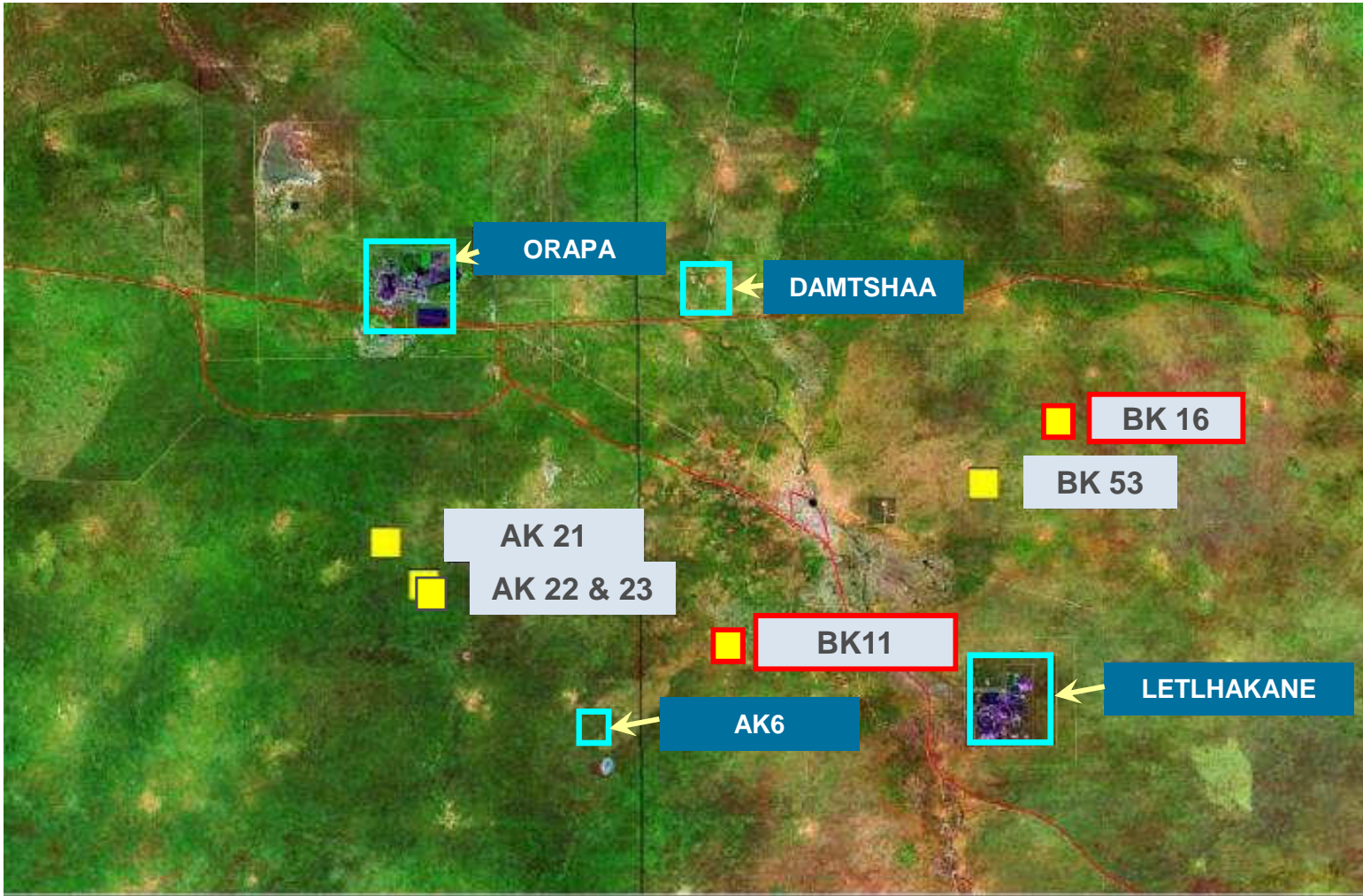
- ▶ 8 out of 75 kimberlites economic
- ▶ Orapa Mine ~ \$1b revenue p.a., 70% margin


Jwaneng Field

- ▶ 3 out of 11 kimberlites economic
- ▶ Jwaneng Mine ~ \$1.7b revenue p.a., >90% margin

3 BK11 & Orapa Projects

Firestone kimberlites



-  Producing mines/development projects
-  Firestone kimberlites/development projects

BK11

- ▶ **Acquired by Firestone March 2007**
 - 80% interest; likely to dilute partners and increase to 90%
- ▶ **Excellent results from evaluation work**
 - Phase 1 completed June 2008; Phase 2 completed March 2009
- ▶ **High value diamonds**
 - Independent valuation \$123/ct (March 2009, after 50% drop in market)
 - Orapa Mine \$30/ct and Damtshaa \$66/ct currently
- ▶ **Inferred Resource of 12 Mt**
 - Revenue up to \$16/t; operating costs of \$6.50/t



Phase 3 evaluation

- ▶ **20,000 t bulk sample trench**
 - Recover 2,000 carats
 - Likelihood of ore value >\$10/t is high
 - Will allow mine development decision
- ▶ **Work at advanced stage**
 - Earth moving advanced
 - Pilot plant operational
 - Sample to be completed H2 09



BK11 - Development Plan

- ▶ **Use production plant from Bonte Koe Mine in South Africa**
 - Value \$15m
- ▶ **\$7.5m to modify, transport and erect at BK11**
 - Straightforward to re-locate
 - Expected to be on site at BK11 by Q4 2009
 - 9 months to start-up
 - Capacity 1.5 mt per annum
- ▶ **Operating costs \$6.50/t**
 - Based on 3 years plant operating history
- ▶ **Start up anticipated by mid-2010**



Economic assessment

- ▶ Base case - good operating margins at March 09 diamond prices

	Tonnes (m)	Revenue/t (\$)	Margin (%)	Annual revenue (\$m)	Annual profit (\$m)
Zone					
KWU	3	\$16	59%	\$24	\$14
KW	7	\$12	46%	\$18	\$8

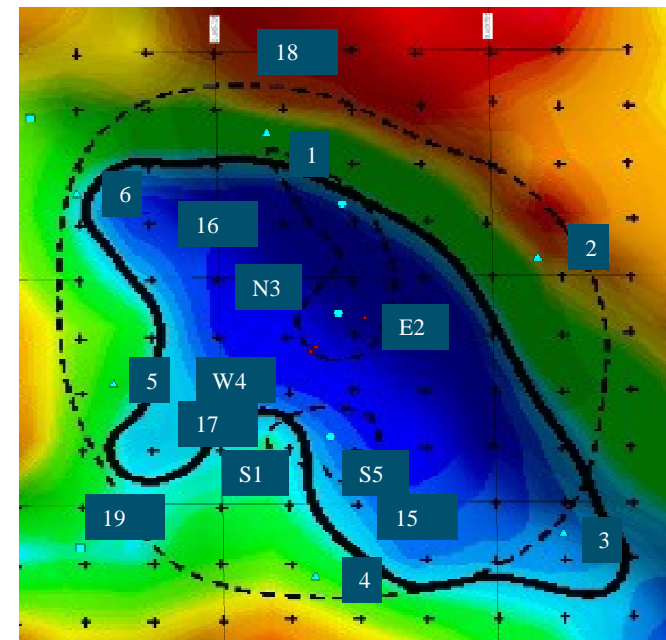
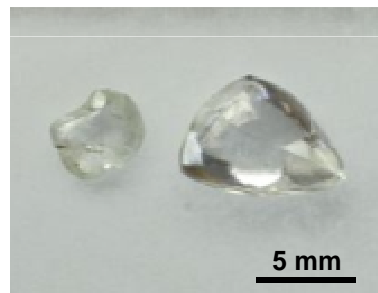
- ▶ Upside – profits double at June 08 diamond prices

	Tonnes (m)	Revenue/t (\$)	Margin (%)	Annual revenue (\$m)	Annual profit (\$m)
Zone					
KWU	3	\$27	76%	\$40	\$30
KW	7	\$20	68%	\$30	\$20

- ▶ Updated valuation June 09 – increased 10% to \$136/ct

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**
 - LDD bulk sample planned after BK11 development decision



BK16 geophysics and surface outline

Orapa Projects Summary

- ▶ **BK11 likely to support new mining operation in 2010**
- ▶ **Use BK11 mine as base for satellite mining operation**
 - \$1/t to truck kimberlite within 10 km radius
- ▶ **Firestone kimberlites**
 - Next project: BK16
 - Later projects: AK21, AK22, AK23
- ▶ **Firestone well placed to exploit other kimberlites**
 - Only independent operator in Orapa area
 - Only bulk sample and pilot plant in Botswana

3 Jwaneng Tailings

Debswana Tailings Project

- ▶ **Debswana tailings dumps among the largest unexploited diamond resources in the world**
 - +300 Mt at Jwaneng, Orapa & Letlhakane
 - Debswana plan to exploit using mobile, modular tailings plants
- ▶ **Firestone selected as preferred bidder after 2 year bidding process**
- ▶ **Jwaneng coarse tailings dump first to be processed**
 - >30 million tonnes, \$150m potential revenue
 - Contract negotiations advanced; to be signed H2 09
- ▶ **Objective is to deploy multiple plants across Debswana's mines**
 - +\$1bn revenue potential

Jwaneng Mine

▶ In operation since 1982

▶ Annual revenue \$1.7bn, at +90% margin



Project Plans

- ▶ **Firestone builds and operates processing plant**
 - Design being undertaken by same company as used for Bonte Koe & BK11 plant
 - Design work at advanced stage
- ▶ **Debswana supplies power, water and tailings facilities**
- ▶ **Low execution risk**
 - Similar scale to and less complexity than Bonte Koe
 - Bonte Koe built on time and on budget
 - Bonte Koe operated successfully to De Beers' standards for 3 years

Contract Structure

- ▶ **“Opco” operates plant and receives operating fees**
 - Opco owned by Firestone
 - Based on Bonte Koe 2009 contract rate - \$5/t, 35% margin
 - Profit sharing/performance incentives
- ▶ **“Plantco” finances plant and receives capital recoupment fees**
 - Approx \$40m per plant
 - Capital and interest to be guaranteed by Debswana
 - Expect 100% debt finance; no Firestone capital to be required
 - Financing partner selected

Debswana Tailings Summary

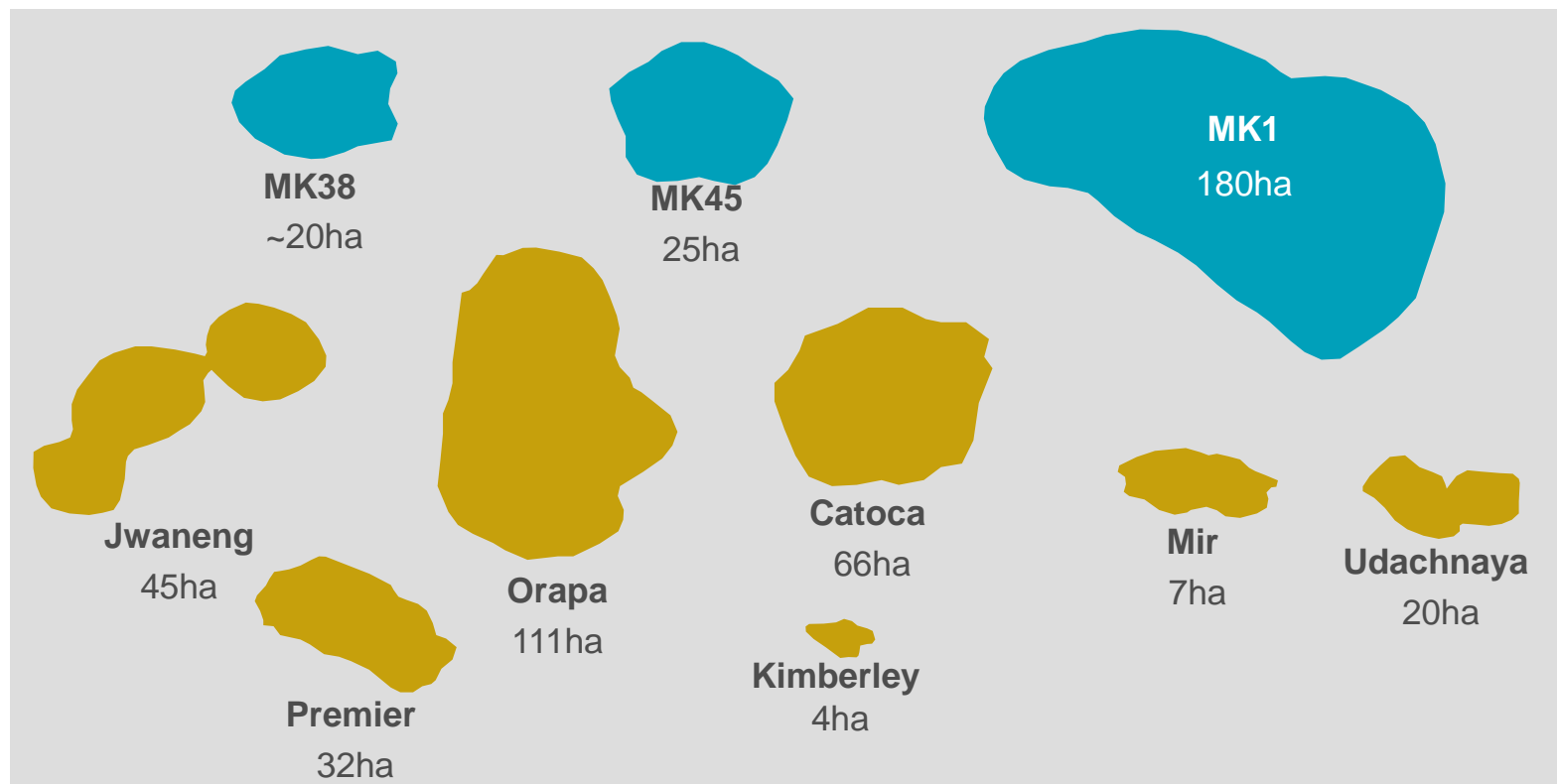
- ▶ **Long term, predictable revenue stream**
 - Jwaneng dump ~ \$150m
 - Other Debswana dumps >\$1bn
- ▶ **Firestone revenues not tied to diamond price or grade**
- ▶ **Other benefits**
 - Shares overhead with BK11 and other Botswana projects
 - Strategic relationship with Debswana
- ▶ **Schedule**

Milestone	Date
Sign contracts	Q3 2009
Commission plant	Q4 2010
Full production	2011
Roll out more plants?	2012+

4 Tsabong

Tsabong Kimberlite Field

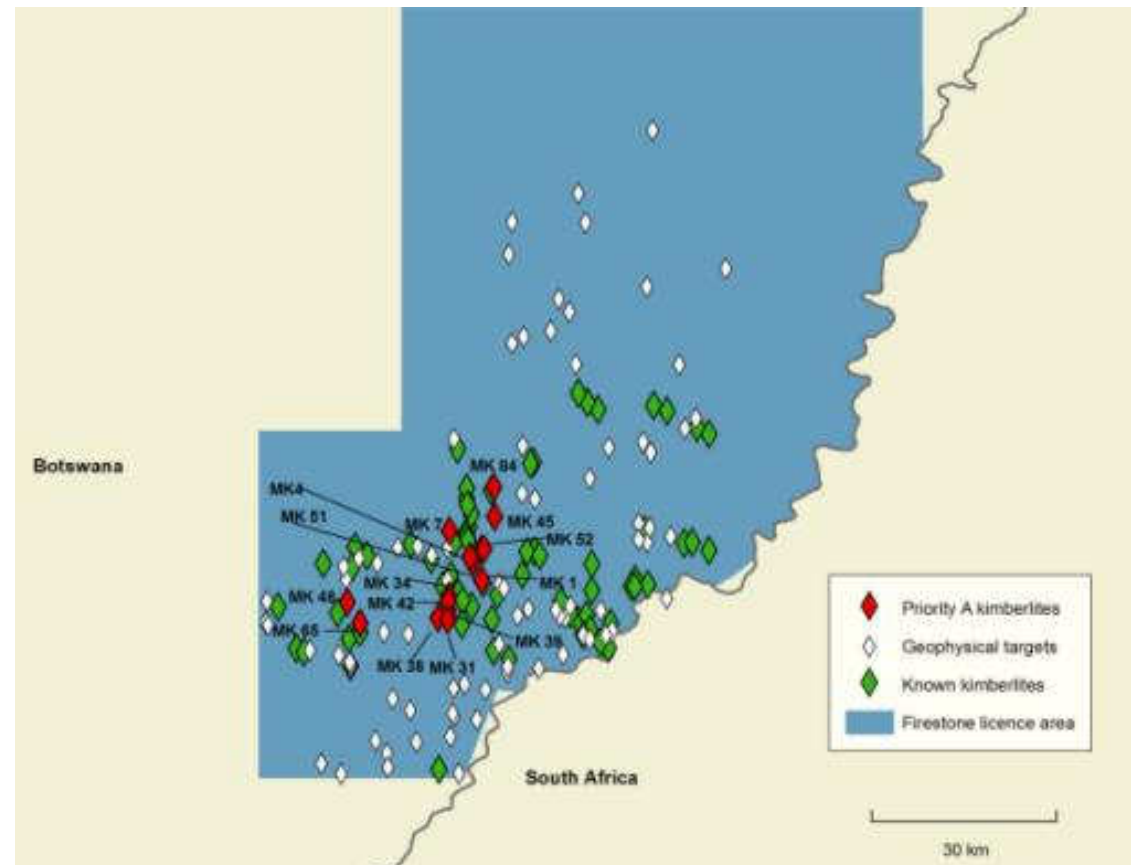
- ▶ One of the largest diamondiferous kimberlite fields in the world
 - 85 known kimberlites; 18 diamondiferous
 - MK1 kimberlite - 180 hectares, diamondiferous



■ Kimberlite mine ■ Firestone kimberlite

Tsabong Potential

- ▶ 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



Firestone Exploration Results

- ▶ **Independent data review indicates similar geological setting to Jwaneng**
- ▶ **Macrodiamonds recovered from 5 of 6 kimberlites bulk sampled**
 - Proves continuity of mineralisation across the field
- ▶ **Good results from MK1 & MK38**
 - Microdiamond grade estimate +25 cpht
- ▶ **18 kimberlites discovered**

Tsabong Summary

- ▶ **Prospects for economic discovery are good**
 - Geological setting is right
 - Botswana economic ratio of 8% is in our favour

- ▶ **Plan to introduce JV partner**
 - Firestone to retain carried interest to BFS
 - Discussions at advanced stage

6 Outlook

Corporate Outlook

▶ Focus on cash and cash flow

- BK11 provides biggest near term cash flow potential
- Jwaneng tailings will provide low risk, longer term cash flow

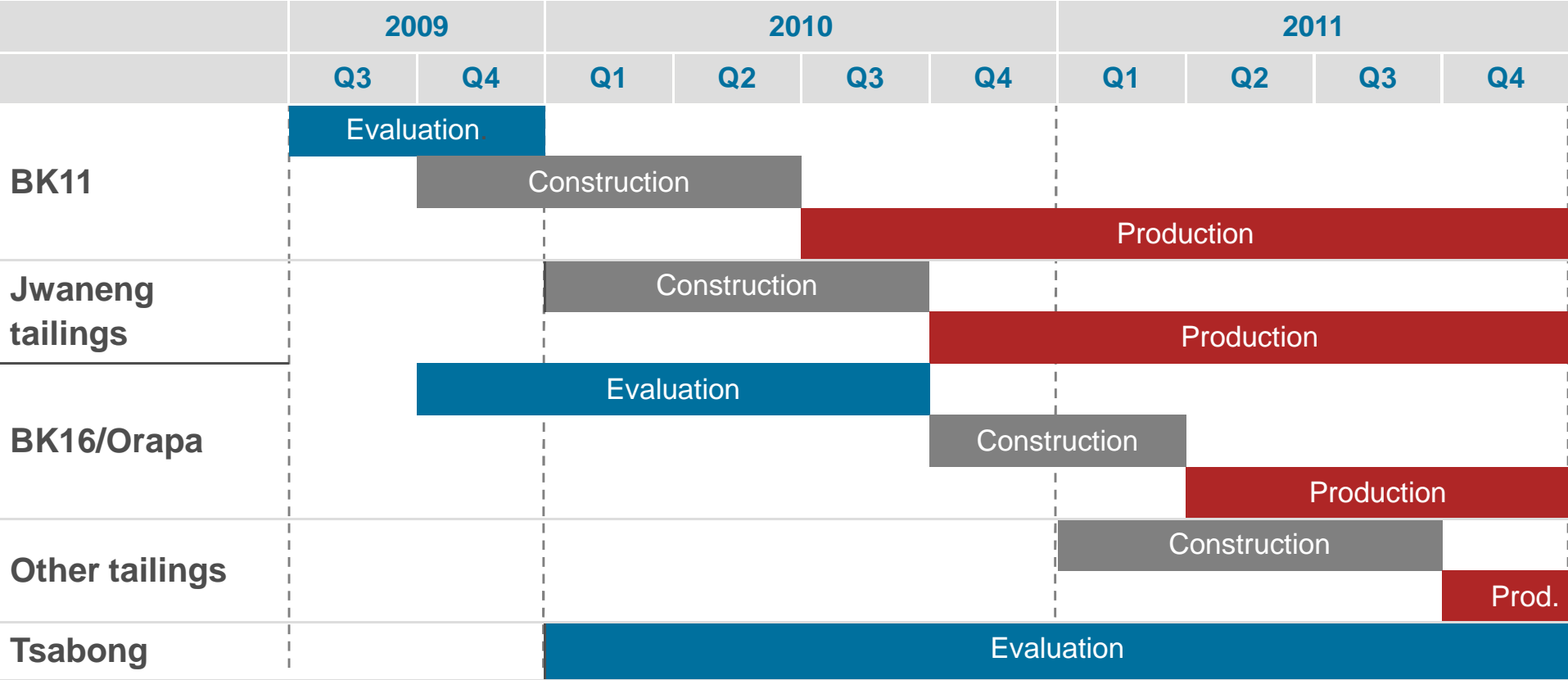
▶ Good near term upside

- Profits highly leveraged to diamond price recovery
- BK16 and other Orapa satellite kimberlites

▶ Significant long term potential

- Tsabong
- Tailings plants at other Debswana mines

Development Timeline



Potential valuation

	Base valuation (p/share)	Mid valuation (p/share)	Blue sky valuation (p/share)
BK11	42	112	212
Tailings	86	163	256
BK16	37	90	180
Tsabong	-	-	-
Other projects	-	-	-
Total	165	365	648

Assumptions	Base	Mid	Blue Sky
BK11	Based on March 2009 diamond prices	50% recovery in diamond prices	Based on June 2008 diamond prices
Tailings	2 plants at Jwaneng	2 plants at Jwaneng, 2 at Orapa	2 plants at Jwaneng, 2 at Orapa, 2 at Letlhakane
BK16	Revenue/t similar to BK11	Revenue/t similar to BK11	Revenue/t similar to BK11

Source: Company estimates

Financial position

- ▶ **Raised £7.2m in July 2009**
 - Private equity placement to existing institutional holders and non-holders

- ▶ **Use of proceeds**
 - £5 million: To develop and commission a mine at BK11
 - £0.5 million: Commence resource development at BK 16
 - £1.7 million: Working capital & contingency

Corporate Information

- ▶ Shares in issue: 98 million, 111 million fully diluted
 - ~17% management; ~30% top 3 institutions; ~5% other institutions & retail
- ▶ Market cap £32m (32.75p)
- ▶ Major shareholders
 - JPMorgan - 10%
 - AXA/Framlington - 8%
 - Gartmore - 7%

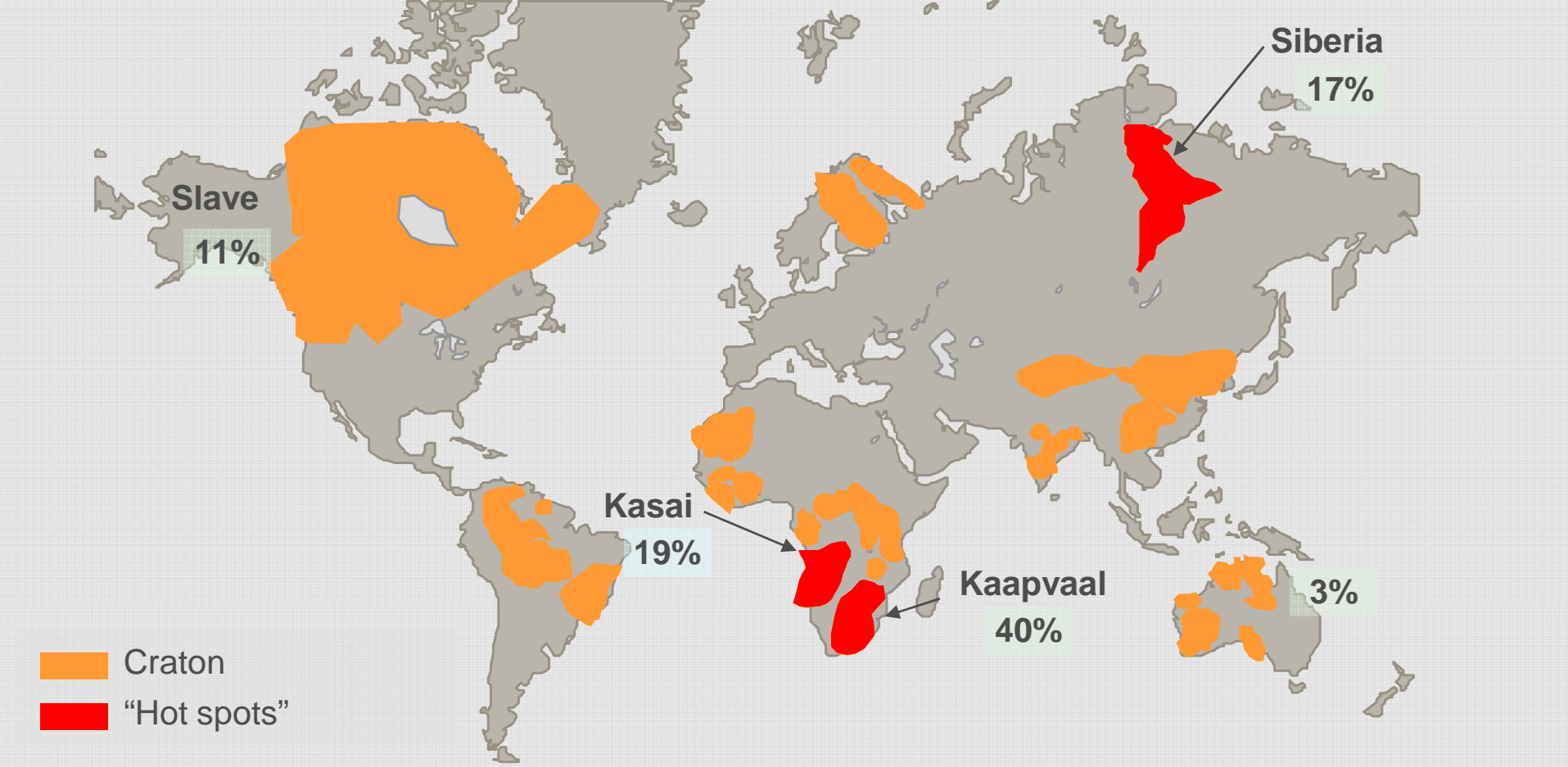




FIRESTONE DI**MONDS**

Appendices

Diamond Production Worldwide



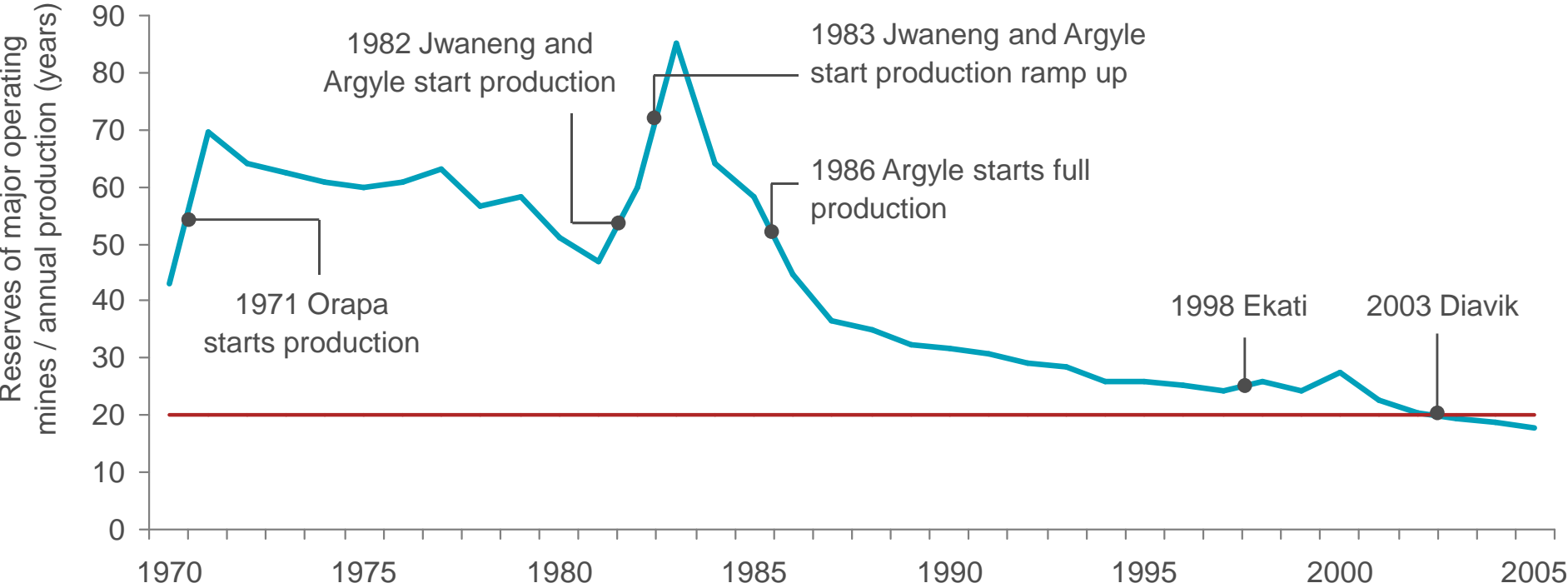
Source: BHP Billiton

Kimberlite Erosion



Declining Reserves

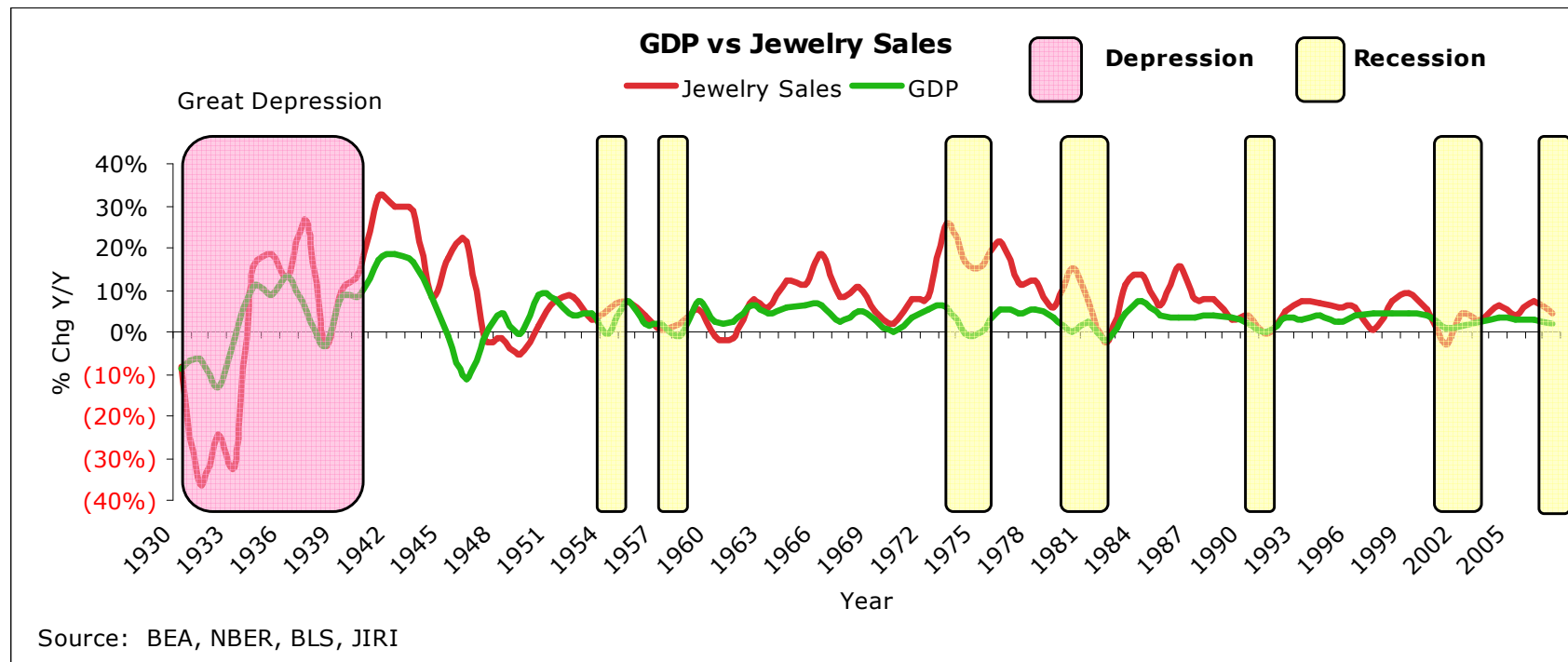
Reserves of major operating mines / annual production



Source: BHP Billiton, De Beers, Firestone estimates

US Retail Diamond Sales are robust

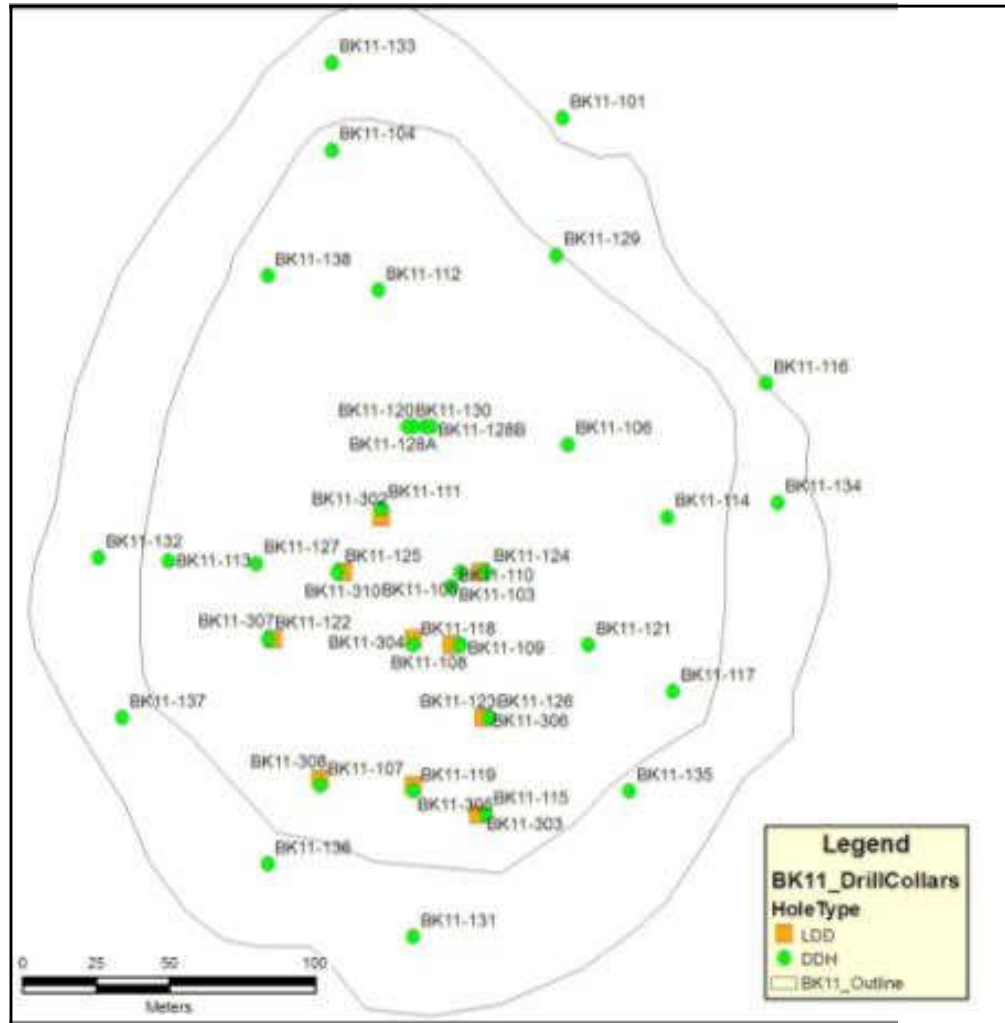
- ▶ History indicates rapid recovery of diamond sales post recession



Source: IDEX, Dec 08

- ▶ Signet (largest US specialist jeweller) reported same store Q1 sales down only 2.9%

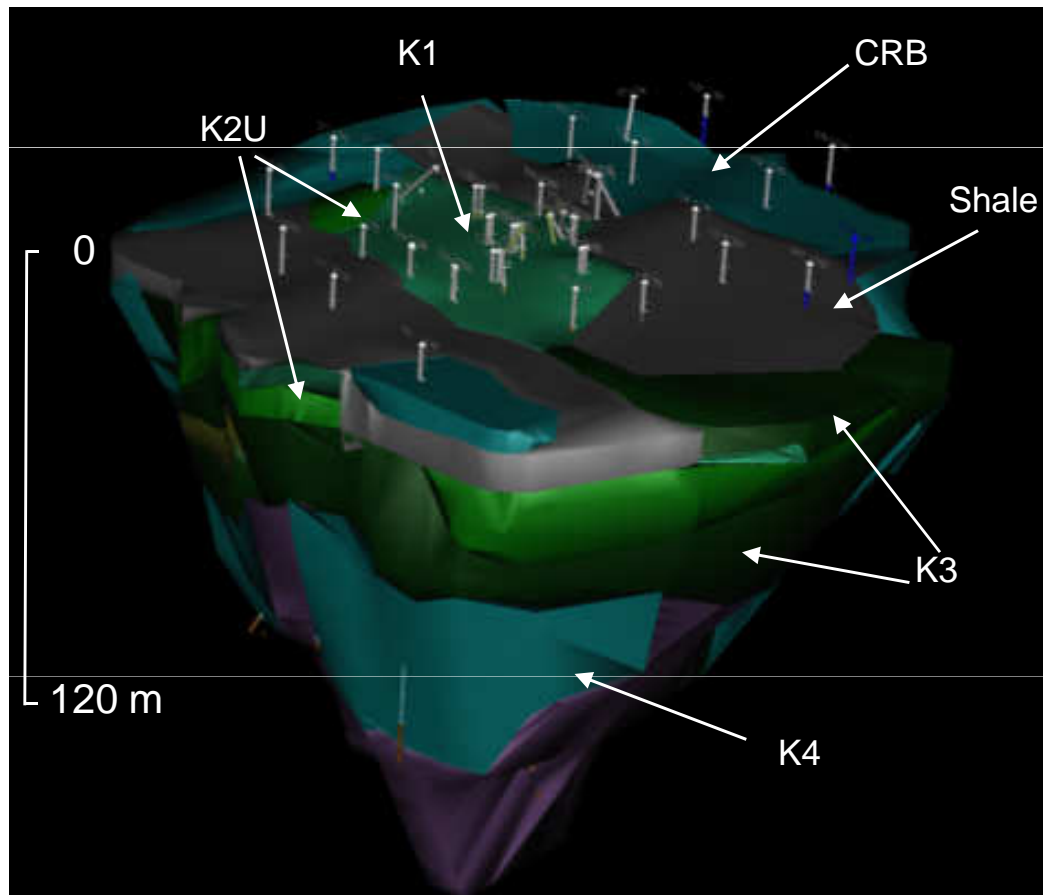
BK11 Evaluation Programme Summary



BK11 surface outline

- ▶ 6,300m of 4" core drilling
- ▶ 3 x 24" and 6 x 36" LDD holes
- ▶ 900 tonnes of kimberlite sampled
- ▶ High grades and diamond values in KW area (9-15 cpht and \$175/ct= \$16-26/t)

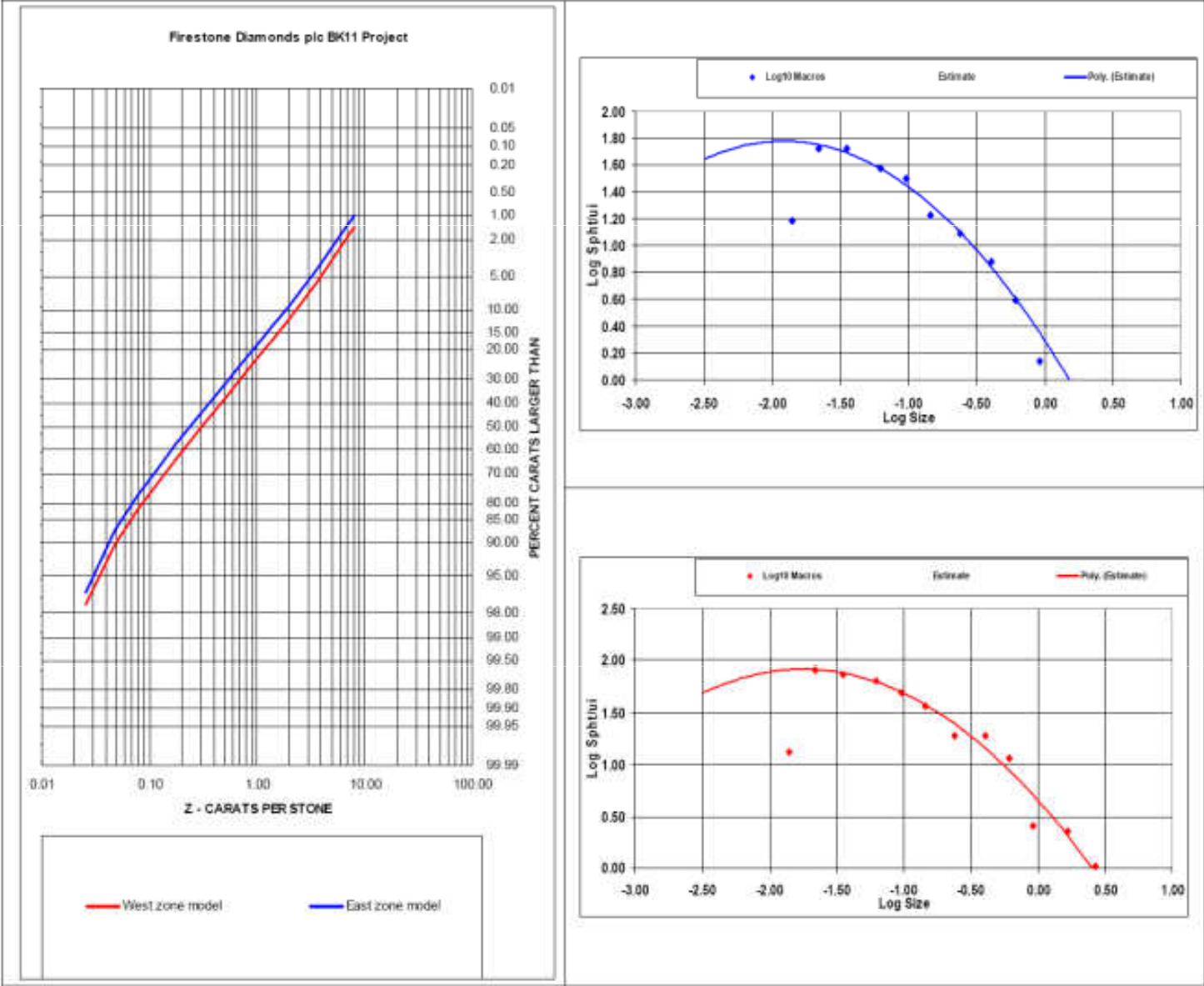
BK11 Geological Model



BK11 3D model

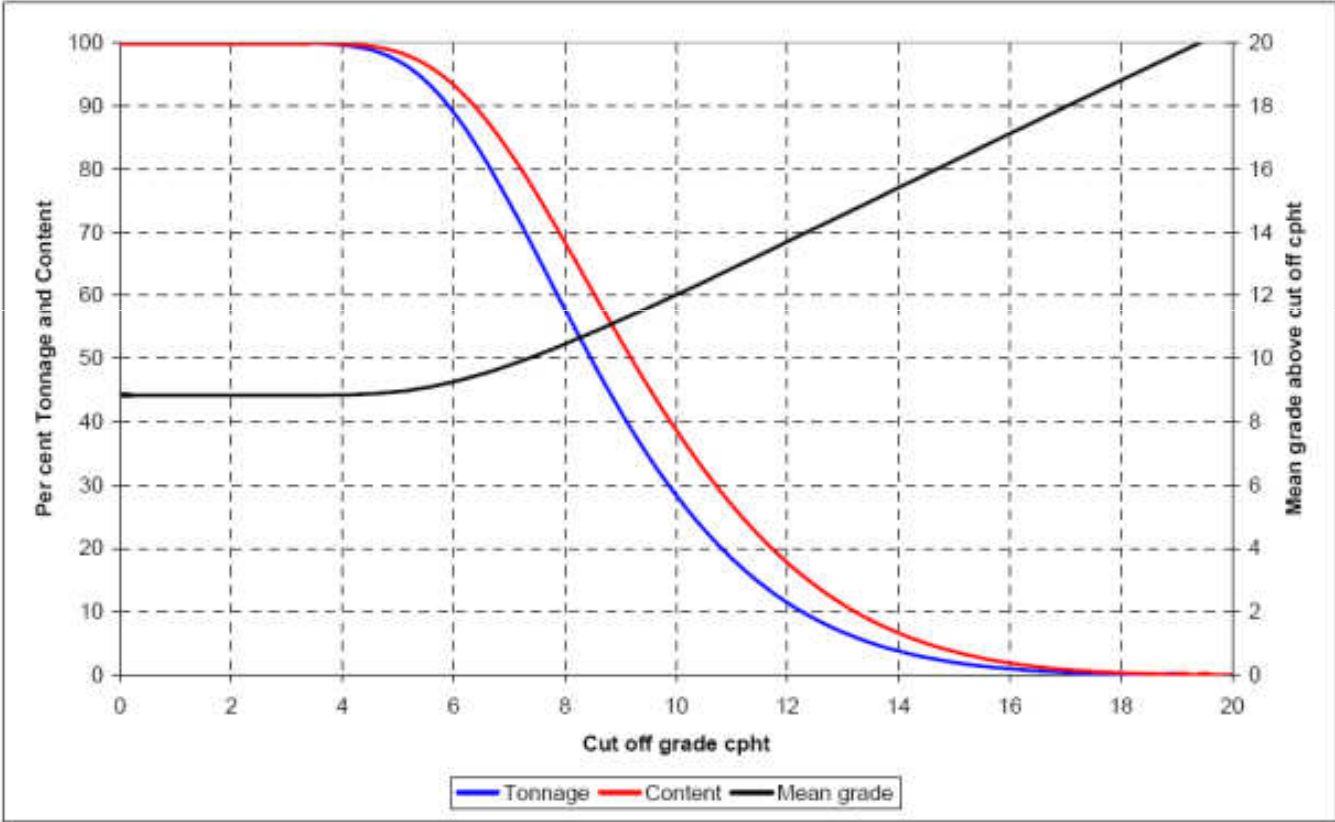
- ▶ Target economic zone 0-120 metres
- ▶ Internal geology and grade distribution well understood
- ▶ High grade grain flow deposits, similar to Orapa and Damtshaa Mines

BK11 Grade Modelling



Source: Zstar Mineral Resource Consultants

BK11 Grade Tonnage Modelling



Cut off grade (cpht)	Above cut off		
	Tonnage (%)	Diamond content	Grade (cpht)
0	100	100	9.0
8	58	68	10.5
10	28	39	12.0
12	11	18	13.7

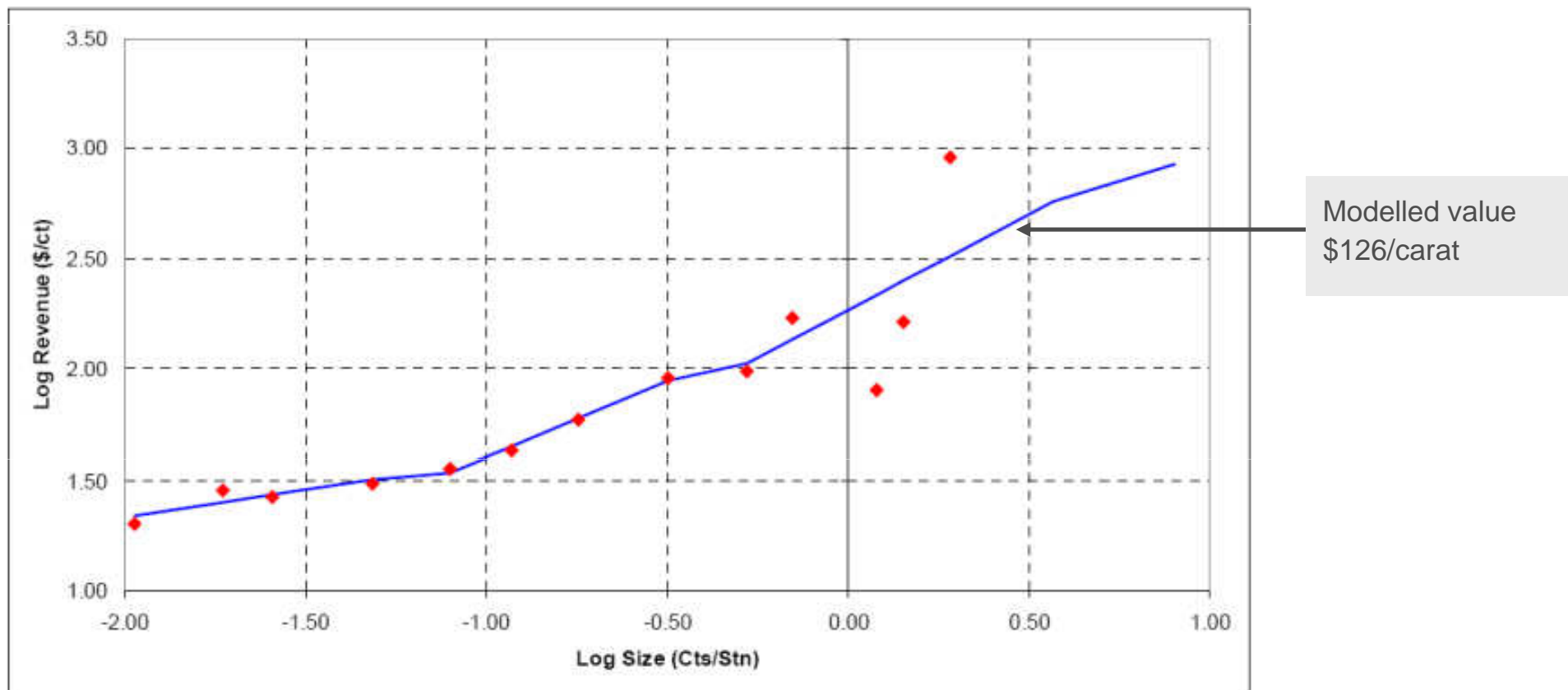
Source: Zstar Mineral Resource Consultants

BK11 Diamonds



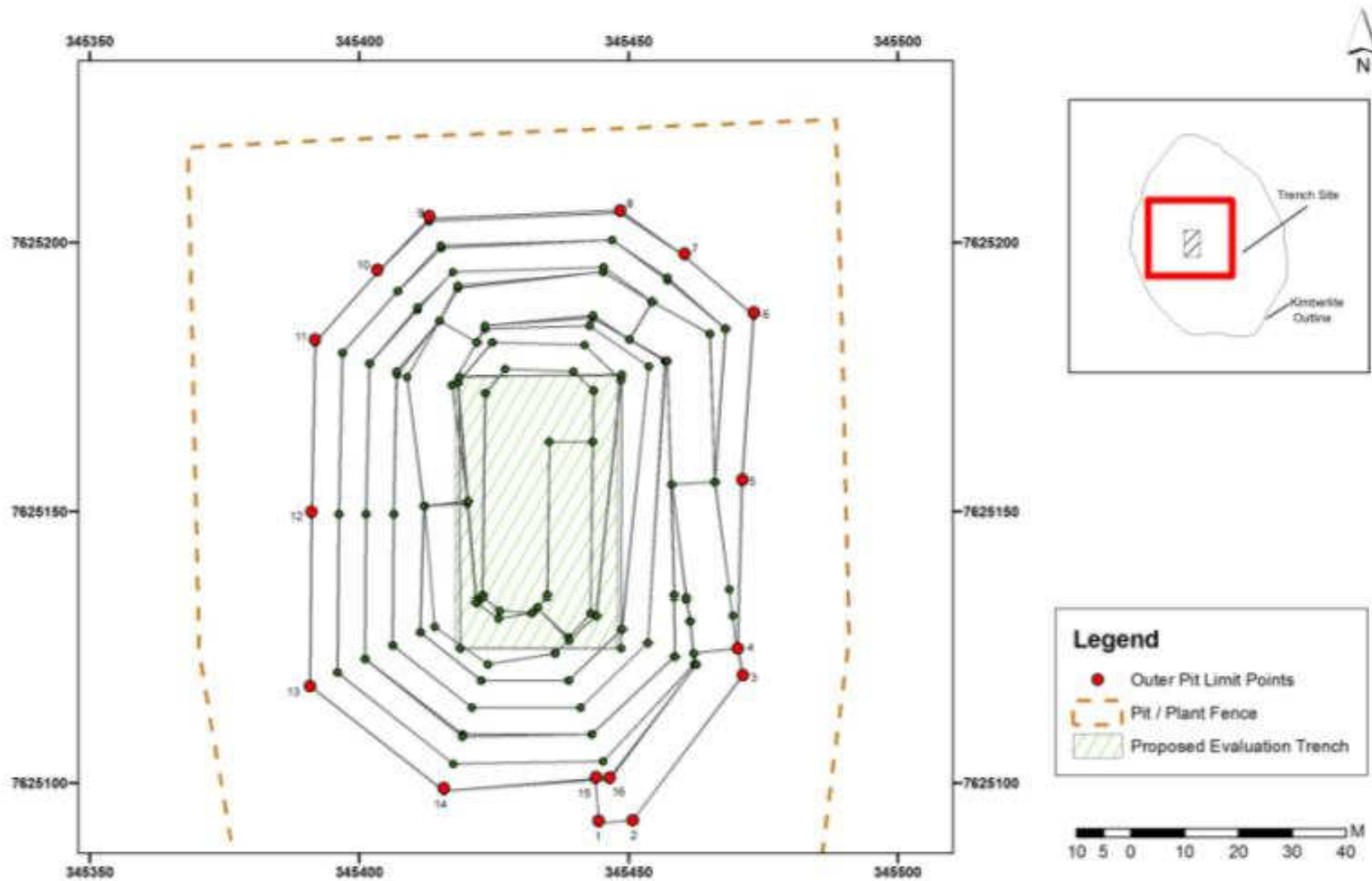
BK11 Diamond Value Modelling

- ▶ Diamond value and grades modelled by Zstar Mineral Resource Consultants
 - Zstar review all Mineral Resource work for De Beers' mines

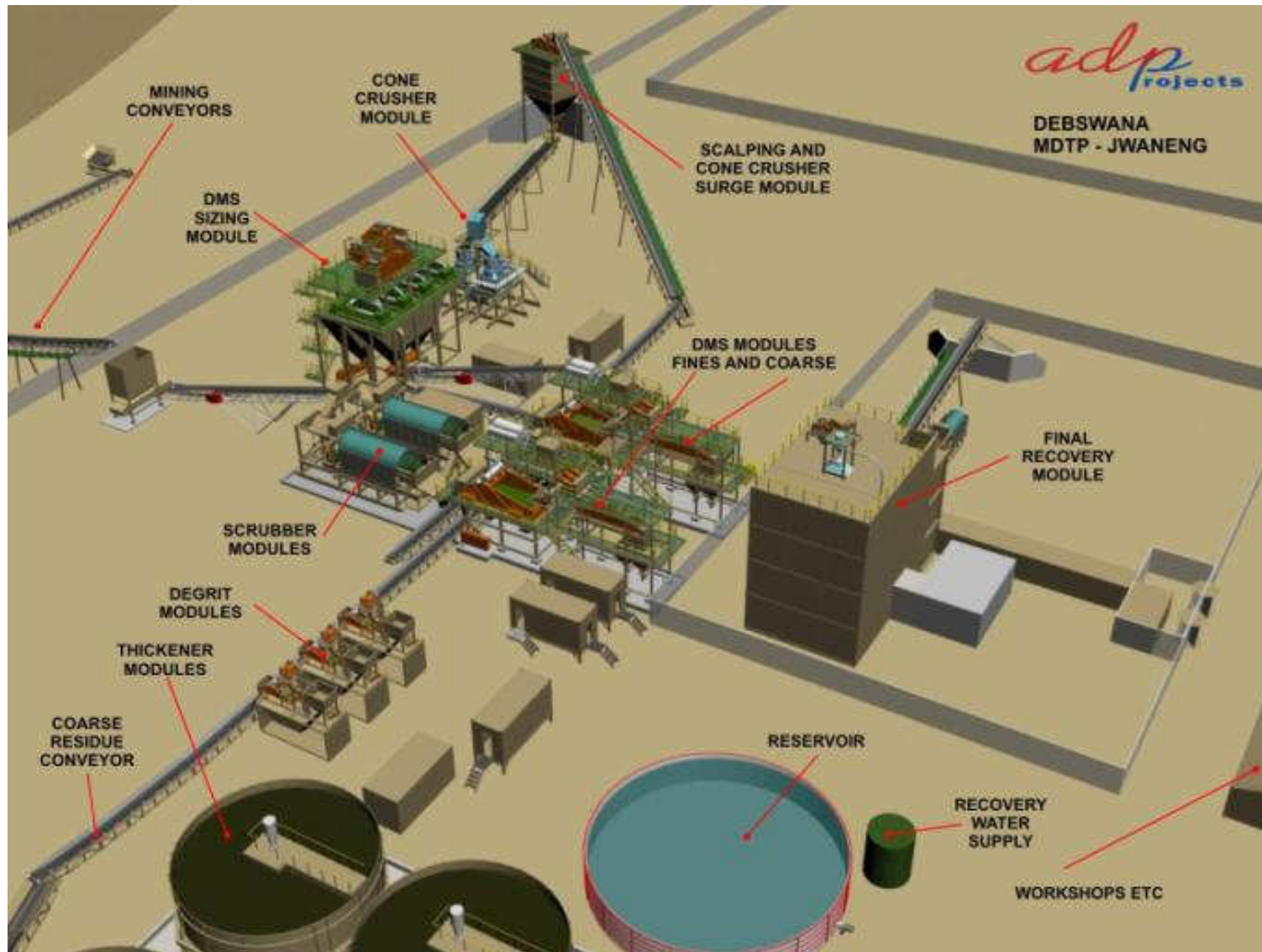


Source: Zstar Mineral Resource Consultants

Trench sample position



Jwaneng Tailings Plant Design

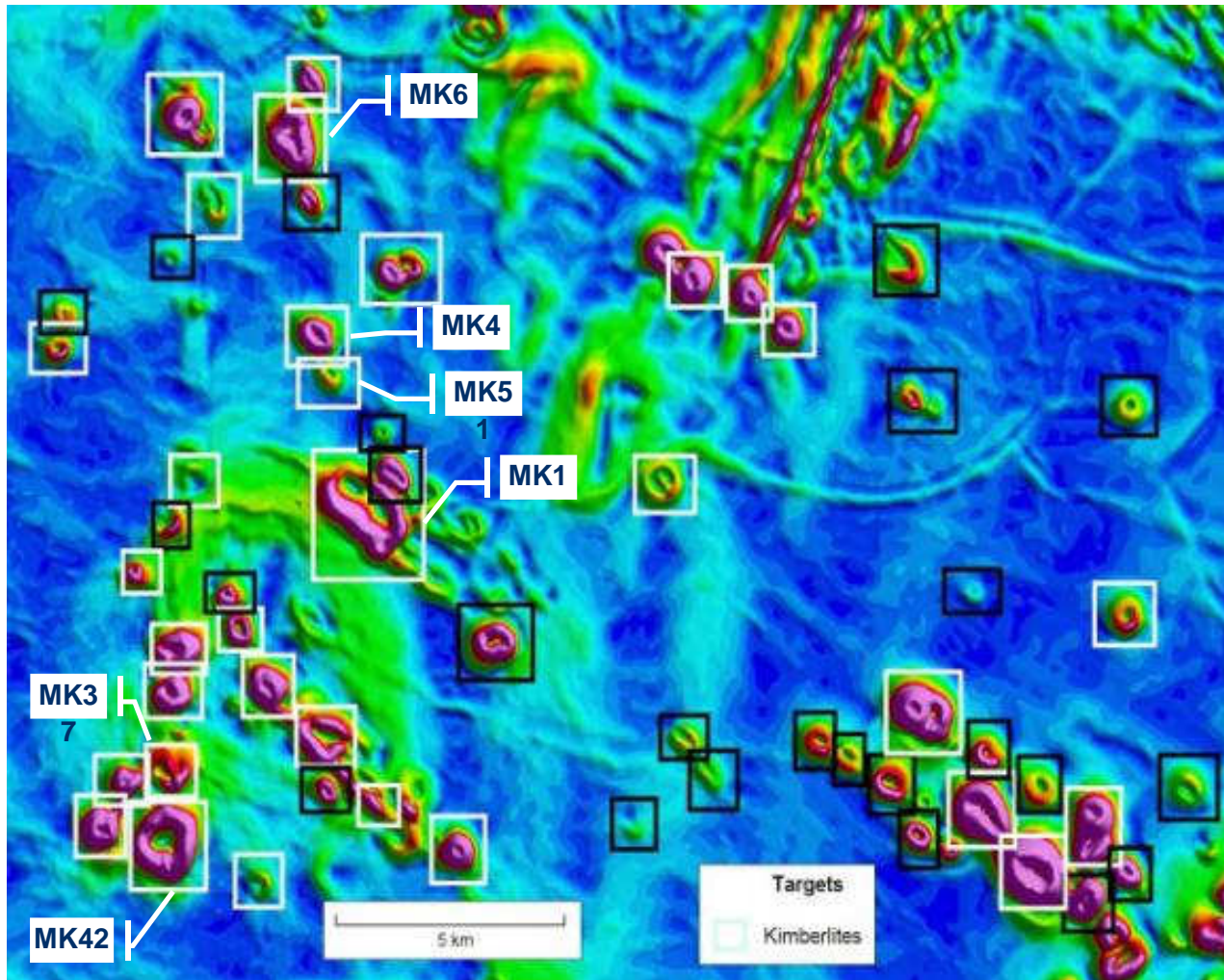


Tsabong High Interest Kimberlites

Kimberlite	Surface Area	Macros recovered	Micros recovered	Comments
MK 1	180	+	+	Very large size; 13% G10 garnets; microdiamond grade of 25 cpht
MK 31	75	NS	+	Large size
MK 45	25	-	-	4% G10 garnets; best KIM chemistry
MK 4	20	NS	+	10% G10 garnets
MK 42	20	NS	+	
MK 39	20	NS	+	
MK 38	20	+	+	24% G10 garnets; best KIM chemistry; microdiamond grade of 25-30 cpht
MK 7	20	NS	-	Group 1 eclogitic garnets
MK 34	20	NS	+	
MK 52	15	+	+	
MK 51	10	+	+	17% G10 garnets
MK 84	10	+	-	10% G10 garnets; best KIM chemistry
MK 65	10	NS	+	Best diamond results
MK 48	10	NS	+	

NS = Not yet sampled

Tsabong Exploration



- ▶ >80 geophysical targets identified
- ▶ Conversion ratio of targets to kimberlites >60%