

**REVISED HEADS OF AGREEMENT**

between

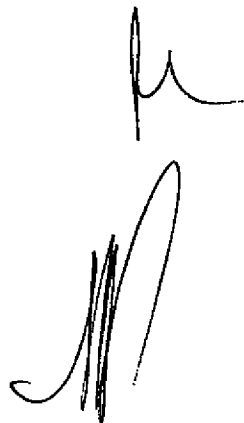
**FIRESTONE DIAMONDS LIMITED**

and

**MR. PAUL PALEDI**

and

**MR. TSHEKEDI KHAMA**

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## INDEX TO THE REVISED HEADS OF AGREEMENT

Heads of Agreement, Clause 1 to 26

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### Annexure

Independent diamond valuation, Johan Erikson,

Annexure A

Independent modelling, Zstar Mineral Resource Consultants

Annexure B

Firestone Diamonds press release, 30 March 2009

Annexure C

Summary of BK11 Program cost and forecast to complete

Annexure D

BK 11 valuation of Inferred Resource as of 30 March 2009

Annexure E

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## REVISED HEADS OF AGREEMENT

This agreement is made between:

Firestone Diamonds Limited ("Firestone"), a company which is registered in the British Virgin Islands, with Registration Number 187191 and which is a subsidiary of Firestone Diamonds plc

and

Paul Paledi ("Paledi") of Private Bag BR3, Gaborone, Botswana

and

Tshekedi Khama ("Khama") of Private Bag BR101, Gaborone, Botswana

### WHEREAS

1. Firestone is currently the holder of 80% of the issued share capital of Monak Venture (Pty) Limited ("Monak").
2. Paledi and Khama (together the "Botswana Partners") are currently the holders of 10% each of the issued share capital of Monak.
3. Monak is the holder of prospecting licence PL 33/2007, which covers the BK11 kimberlite ("BK11").
4. As per clause 5 of the heads of agreement signed between the Botswana Partners and Firestone on 21 June 2006 ("the Original Heads"), Firestone was required to provide the funds required for Monak to carry out the Phase 1 exploration work on BK11 up to bulk sampling by means of drilling to recover approximately 100 tonnes of kimberlite. Firestone provided these funds and this work was completed in the first half of 2008.
5. As per clause 6 of the Original Heads, Firestone and the Botswana Partners are required to provide Monak with such funds as are required to finance additional work after Phase 1 on a pro rata basis to their respective shareholdings in Monak. The Botswana Partners have been unable to provide their share of funds required and accordingly Firestone and the Botswana Partners have agreed to enter into this revised heads of agreement ("the Revised Heads").
6. Results from the Phase 2 exploration work on BK11, which was completed in March 2009 have been received, and are attached hereto as the following Annexures:
  - 6.1. Annexure A: Independent diamond valuation, Johan Erikson, March 2009.
  - 6.2. Annexure B: Independent modelling of diamond value and grade, Zstar Mineral Resource Consultants, March 2009.

- 6.3. Annexure C: Firestone Diamonds press release on results of BK11 phase 2 work, 30 March 2009.
- 6.4. Annexure D: Summary of expenditure incurred by Firestone on BK11 to date and estimate of remaining expenditure to complete evaluation of and to develop a new mining operation at BK11.
- 6.5. Annexure E: Summary of valuation of Inferred Resource as of 30 March 2009.

#### **FIRESTONE AND THE BOTSWANA PARTNERS AGREE AS FOLLOWS**

7. All operating costs associated with the evaluation and, should a mine development decision be made by the Board based on the results of this evaluation, the development and operation of a commercial production plant on BK11 up to the date of the first sale of diamonds from the commercial production plant ("the Production Date"), will be provided by Firestone.
8. Firestone will make its bulk sampling plant, pilot plant, earthmoving equipment, and any other plant and equipment required for evaluation of BK11, available to Monak up to the Production Date subject to Firestone obtaining any third party consents and approvals as may be required in law and subject to any statutory or regulatory requirements that may be applicable.
9. Subject to results from evaluation work carried out, Firestone will make its diamond processing production plant, which is currently located at the Bonte Koe Mine in South Africa, available to Monak and will provide the capital and operating costs of transporting, modifying, erecting and providing power, water, tailings and all required services to support commercial production operations at BK11 up to the Production Date. Firestone will also make its earth moving equipment available for commercial production operations. This plant, equipment and infrastructure shall remain the property of Firestone. The provisions of this clause are subject to Firestone obtaining any third party consents and approvals as may be required in law and subject to any statutory or regulatory requirements that may be applicable.
10. In the implementation of the provisions of clause 9 above, Firestone shall either sell and transfer, lease or otherwise make available the said diamond processing production plant, earth moving equipment and other plant, equipment and services, on a basis consistent with the provisions of clause 9 above, subject to tax advice received by Firestone and as determined by the Board.
11. It is expressly recorded and agreed that Firestone shall not be obliged to fund or provide operating costs or capital costs or plant and equipment in respect of any evaluation, development or other aspect of work or expenditure on BK11 if, in the reasonable discretion of Firestone; such expenditure is not economically justifiable.
12. In the event of any dispute between the parties hereto regarding this agreement, same shall be referred for determination to the auditors of Monak from time to time who, in making such determination, have the widest discretion and who shall act as experts (with, if they consider necessary or appropriate, the assistance of such other professional advice as they

consider appropriate), not as arbitrators and whose determination shall be final and binding on the parties.

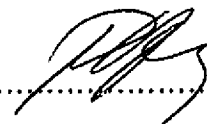
13. The shareholding of the Botswana Partners shall be reduced to 5% each of the total issued shares in the capital of Monak, for no consideration to the Botswana Partners other than the benefits to be derived by them under this agreement. Such reduction in shareholding shall be achieved by way of a buy-back of shares of the Botswana Partners at the par value thereof and/or the allotment, issue and subscription for additional shares in the capital of Monak to Firestone at par and/or the transfer of shares in the capital of Monak from the Botswana Partners to Firestone, as determined by the Board.
14. The operating costs referred to in clause 7 and market-related charges for the use of the plant and equipment referred to in clauses 8 and 9, will be charged to a Firestone loan account in Monak. In return for the services to be rendered by the Botswana Partners to Monak, including as specified and provided for in clause 19 below, the agreed consideration therefor shall similarly be charged to a loan account in Monak in favour of the Botswana Partners. It is recorded and agreed that, pursuant thereto, the loan accounts of Firestone on the one hand and the Botswana Partners on the other shall be pro rata to their respective shareholding in Monak, pursuant to the implementation of clause 13 above. It is expressly recorded and agreed that the liability of Monak to Firestone (in respect of the said operating costs and rental charges) and the Botswana Partners (in respect of the said services) and the obligation to discharge the fees thereunder and repay the corresponding loan accounts, is entirely conditional upon Monak having sufficient cash resources to make such payments. Accordingly, the loan accounts so created shall only be repayable in the event that Monak has sufficient cash resources to make payments thereunder and they shall otherwise be repayable, pro rata, and at such intervals and upon such terms and subject to such conditions as may be determined by the Board, from time to time.
15. The Botswana Partners will not be required to make any cash contributions to Monak in respect of capital and operating costs up to the Production Date. In the event that any additional capital and/or operating costs are required by Monak after the Production Date, these will be arranged and repaid by Monak on its own behalf. In respect of any loan capital provided by Firestone, which is not matched by a pro rata contribution by the Botswana Partners, interest shall accrue at such reasonable, market related rates of interest as may be determined by the Board and such loan accounts shall be repayable on not less than 30 (thirty) days written notice by Firestone to Monak to such effect.
16. In the event that operations do not prove to be commercially viable, the Botswana Partners will have no direct liability in relation to costs incurred by Firestone under the provisions of clauses 7, 8 and 9.
17. Following the Production Date, all costs associated with operations at BK11, including the costs of operation, maintenance and replacement of the plant, equipment and infrastructure owned and provided by Firestone, shall be for the account of Monak.
18. Firestone reserves the right to use the plant and equipment at BK11 to evaluate and/or exploit other kimberlites owned by Firestone in the Orapa area, subject to costs for such use

being borne exclusively by Firestone and such use not having any material impact on Monak's plans as agreed by the Board of Monak.

19. The Botswana Partners will continue to assist Firestone with the objective of ensuring that Monak's prospecting license is renewed and/or replaced with a mining licence when appropriate, that all necessary legal and regulatory permissions for mining operations on BK11 are granted, and will be responsible for providing advice and direction to Monak where necessary in respect of communications and discussions with the Geological Survey, the Ministry of Minerals, Energy and Water Resources and all other relevant government departments and agencies.
20. Should either of the Botswana Partners wish to sell any or all of their remaining shares in Monak, they shall be required to offer Firestone the right to buy such shares on the same terms as they have been offered to them in writing by a bona-fide arm's length offeror.
21. Each of the Botswana Partners shall be entitled to remain as directors of Monak for so long as each of them hold not less than 5% of all the issued shares in the capital thereof. Firestone shall be entitled to appoint three directors to the Board of directors of Monak, as constituted from time to time ("the Board") and to appoint alternates thereto and to remove and/or replace such appointees, on written notice to Monak to that effect.
22. With effect from the date of last signature, this agreement supersedes and replaces the Original Heads and any other agreements, whether oral or written, between the parties with respect to Monak and BK11.
23. Firestone and the Botswana Partners agree that on signing of this agreement they will immediately proceed to enter into a comprehensive agreement as soon as reasonably possible, which agreement shall incorporate, inter alia, the terms and conditions set forth in this agreement heads together with such other terms and conditions as are ordinarily found in agreements recording the terms and conditions set forth in these heads and such other terms and conditions as the parties may agree. Until such time as the comprehensive agreement is concluded in writing between the parties, these heads shall be and remain valid and binding upon and enforceable against the parties in all respects, and the terms hereof shall be duly implemented by the parties.
24. These heads of agreement will be subject to the laws of the Republic of Botswana.
25. These heads of agreement may be executed in separate counterparts, none of which need contain the signatures of all of the parties, each of which shall be deemed to be an original and all of which taken together constitute one agreement.
26. These heads of agreement shall be valid and binding upon the parties thereto, notwithstanding that one or more of the parties may sign a facsimile copy thereof and whether or not such facsimile copy contains the signature of any other party.

The undersigned hereby agree to be bound by the terms and conditions set forth in this Heads of Agreement.

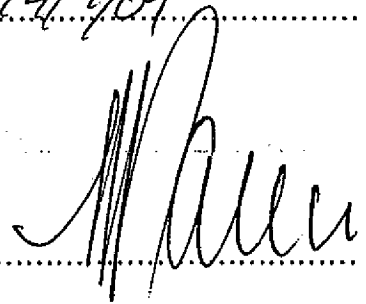
Firestone Diamonds Limited:

By  .....

Capacity *Director* .....

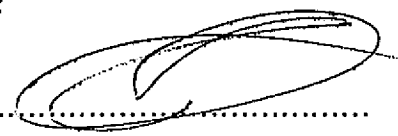
Date *14/9/09* .....

Paul Paledi:

 .....

Date *31/08/2009* .....

Tshekedi Khama:

 .....

Date *31-08-2009* .....

Annexure A : Independent diamond valuation, Johan Erikson, March 2009

DESCRIPTION	CT	\$PC	TOT \$
PLUS 19	1.93		1,756.30
PLUS 17	2.13		346.98
PLUS 15	1.04		83.20
PLUS 13	4.53		769.16
PLUS 12	4.32		419.10
PLUS 11	9.01		821.30
PLUS 9	10.25		601.72
PLUS 7	6.23		265.28
PLUS 6	7.10		254.69
PLUS 5	6.75		207.82
PLUS 3	6.85		182.25
PLUS 2	2.40		68.55
PLUS 1	0.91		18.40
	<b>63.45</b>		<b>\$5,794.75</b>

AVERAGE \$/CT                      91.33

DATE:                      3 MARCH 2009

Handwritten signatures and initials, including a large signature and a set of initials 'JE'.



## TECHNICAL NOTE

To: Mr TA Wilkes  
Company Firestone Diamonds Plc  
From DE Bush  
Date 25<sup>th</sup> March 2009  
Copy  
Subject **Grade and revenue estimates for BK11**

### 1. Introduction

The BK11 kimberlite pipe is located in the Orapa cluster in northern Botswana. The pipe is approximately 8.5 ha in size with a thin overburden. The first 120m is considered indicative of a crater facies environment with primary kimberlite below.

The project has recovered some 62 carats to date – this report comprises an analysis of these carats with a view to estimating grade and revenue.

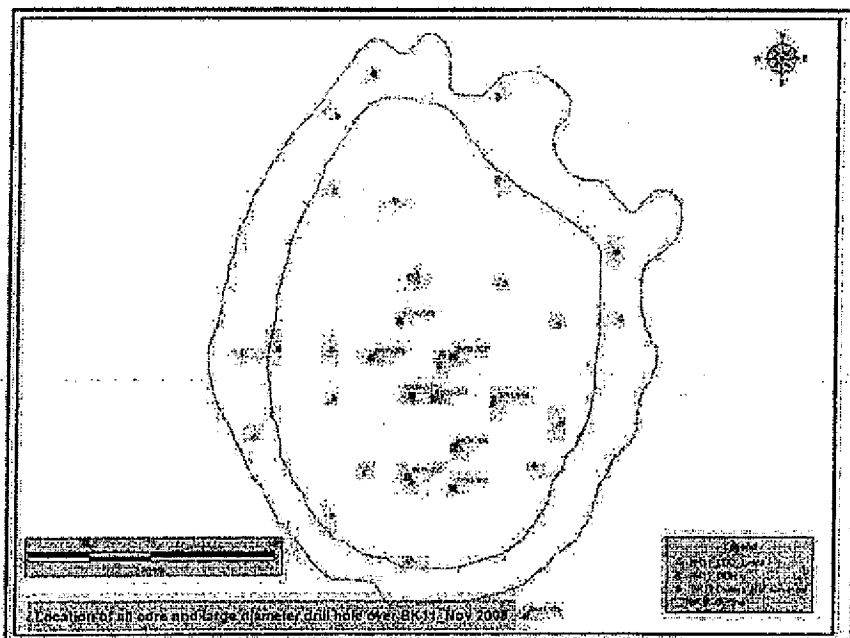
### 2. Mineral resource data

A total of nine large diameter drillholes (LDD) have been excavated into BK11; the first three holes, BK11-301 to BK11-303, are 23" diameter holes while the remainder are 36" diameter. The summary statistics are shown in Table 2.1. This table reflects only those carats which can be allocated spatially, e.g. "purge" carats reflecting a hole rather than an individual sample are excluded.

Bnum	X	Y	Collar	Volume (m <sup>3</sup> )	Carats	Stones
BK11-301	345459.08	7625144.30	1020.27	76.28	4.29	41
BK11-302	345437.66	7625193.00	1020.65	37.54	4.62	22
BK11-303	345471.70	7625089.06	1020.13	67.64	3.61	39
BK11-304	345445.97	7625147.38	1020.68	81.23	12.22	118
BK11-305	345444.11	7625095.73	1020.59	91.89	5.06	93
BK11-306	345471.77	7625113.91	1020.55	83.90	7.35	111
BK11-307	345470.69	7625170.65	1020.70	48.61	4.33	39
BK11-308	345420.19	7625169.73	1020.85	69.91	13.71	111
BK11-309	345495.68	7625141.72	1020.67	68.58	6.01	42
					<b>61.19</b>	<b>616</b>

**Table 2.1 BK11 drillhole summary statistics**

The drillhole locations are shown in Figure 2.1.



**Figure 2.1 BK11 - Large diameter drillhole locations (ex. TA Wilkes)**

A geological model has been compiled for BK11 based on both core and large diameter drill data. The first 120m comprises "Crater" facies material thereafter grading into primary kimberlite. The crater facies has been sub-divided into three units, K1 and K2 Upper and Lower. These sub-divisions do not necessarily represent different magma events but rather variations within the crater facies. Of particular grade and revenue significance is the western portion of the crater facies (essentially holes 301, 302, 304 and 308) which is thought to represent a grain flow environment and hence the potential for a coarser size frequency distribution and higher grade.

### 3. Results

The drillhole data comprise carat weight, number of stones and a dilution estimate per sample lift. Sample lifts averaged 12m but varied between 3 and 27m depending on the geological unit.

The following sections consider the grade and revenue in terms of a west and east zone for the crater facies only with the former considered a grain flow environment and the latter a more-brecciated unit.

#### 3.1 Grade zones – West and East

On the recommendation of Firestone Diamonds holes BK11-301, BK11-302, BK11-304 and BK11-308 were combined for grade and revenue estimation purposes. These holes are considered to represent a west zone characterised by a grain flow environment. The

remaining holes are indicative of the east zone, characterised by greater amounts of basalt breccia. In addition these zones are limited to the crater facies; i.e. the three kimberlite units K1, K2U and K2L.

The borehole data were standardised to a sample lift of 10m through a process called regularisation or compositing. This involves weighting the sample grade by length into standard 10m intervals. Following this process it is possible to determine basic statistics of the data; these are summarised below (Table 3.1).

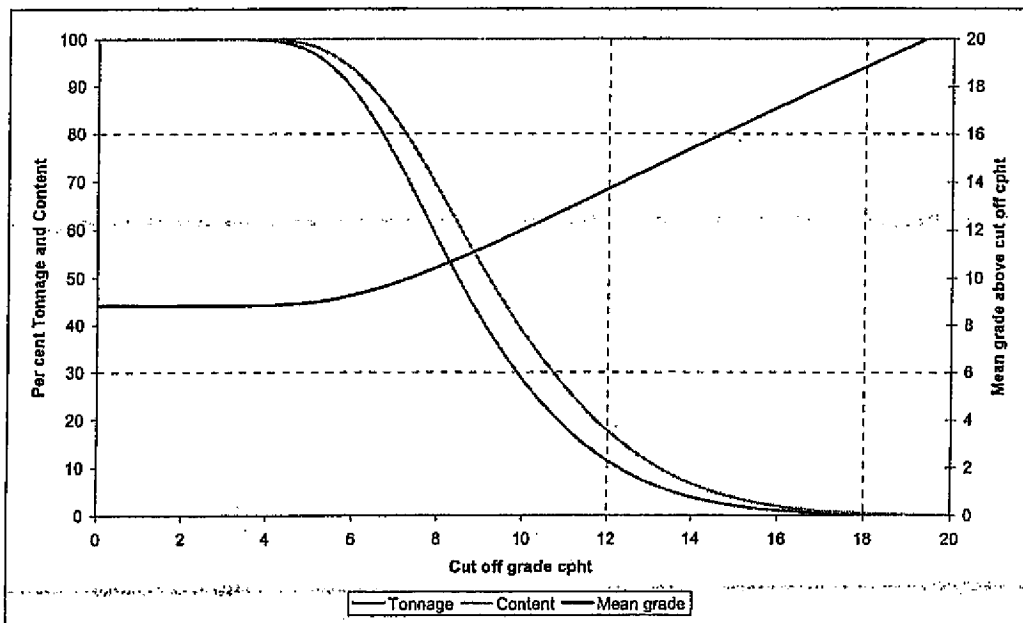
Zone	Sample Number	Minimum	Maximum	Mean	Variance
East	41	0.1	15.1	4.0	9.2
West	33	3.6	21.1	9.0	22.2

**Table 3.1 Grade (cpht, 1mm) Sample statistics for east and west zones**

The average grade of the crater facies component of the west and east zones is therefore estimated at 9cpht and 4cpht, respectively.

A geology / volume model (Table 3.3) has been constructed for the BK11 resource which along with a grade model can be used to estimate the grade distribution within the defined volume. The grade relationship is defined by the variogram which is a geostatistical tool which defines the correlation between samples at measured distances apart. The grade model is referenced by the "grade - tonnage curve" which estimates grade above a cut off for a particular mining block size (selective mining unit SMU)

A grade - tonnage curve was generated for the west zone for a SMU of 50 by 50 by 10m and is shown in Figure 3.1.



**Figure 3.1 West zone grade - tonnage curve; grade in cpht at 1mm**

It is important to appreciate the following constraints to grade - tonnage curves; the size of the SMU, the variogram obtained from the data and the variance of the sampling data and the contiguity of the resource. Clearly as the SMU increases in size there is an averaging

effect and while the tonnage above cut off may increase the grade above cut off will decrease – i.e. a decrease in selectivity. The variogram of the west zone K1 and K2 data is surprisingly robust with a low nugget effect. The variance of the sampling data is fundamental to the grade tonnage curve – clearly a low variance will result in a limited “range” of grades and therefore limited selectivity. The contiguity of the resource refers to the location and concentration of the 50 by 50 by 10m blocks above the cut off specified. Should the blocks above cut off be scattered spatially economical exploitation may be impractical. Grade tonnage curve calculation may be considered a first pass estimation of grade distribution in a resource – a more robust approach, governed by data, would be local block estimation using geostatistical methods.

In terms of interpreting grade – tonnage curves from Figure 3.1 is evident that for the west zone:

- The average grade is 9cpt – obtained from the mean grade curve at a cut off of 0cpt.
- At an average grade above cut off of 10cpt about 68% of the tonnage containing about 77% of the caratage is available for extraction.

Table 3.2 shows the potential for selective mining within the west zone according to the grade – size plots and various cut offs.

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

**Table 3.2 West zone grade distribution**

The lower grades in the east zone and associated lower variance results in limited selectivity at higher grades.

	East	West		Total
	Tonnes	Tonnes	%	Tonnes
K1	560,560	840,840	12	1,401,400
K2U	1,588,400	2,382,600	34	3,971,000
K2L	403,040	604,560	9	1,007,600
K3	2,023,120	3,034,680	44	5,057,800
K4	48,400	72,600	1	121,000
<b>Total</b>	<b>4,623,520</b>	<b>6 935 280</b>	<b>100</b>	<b>11,558,800</b>

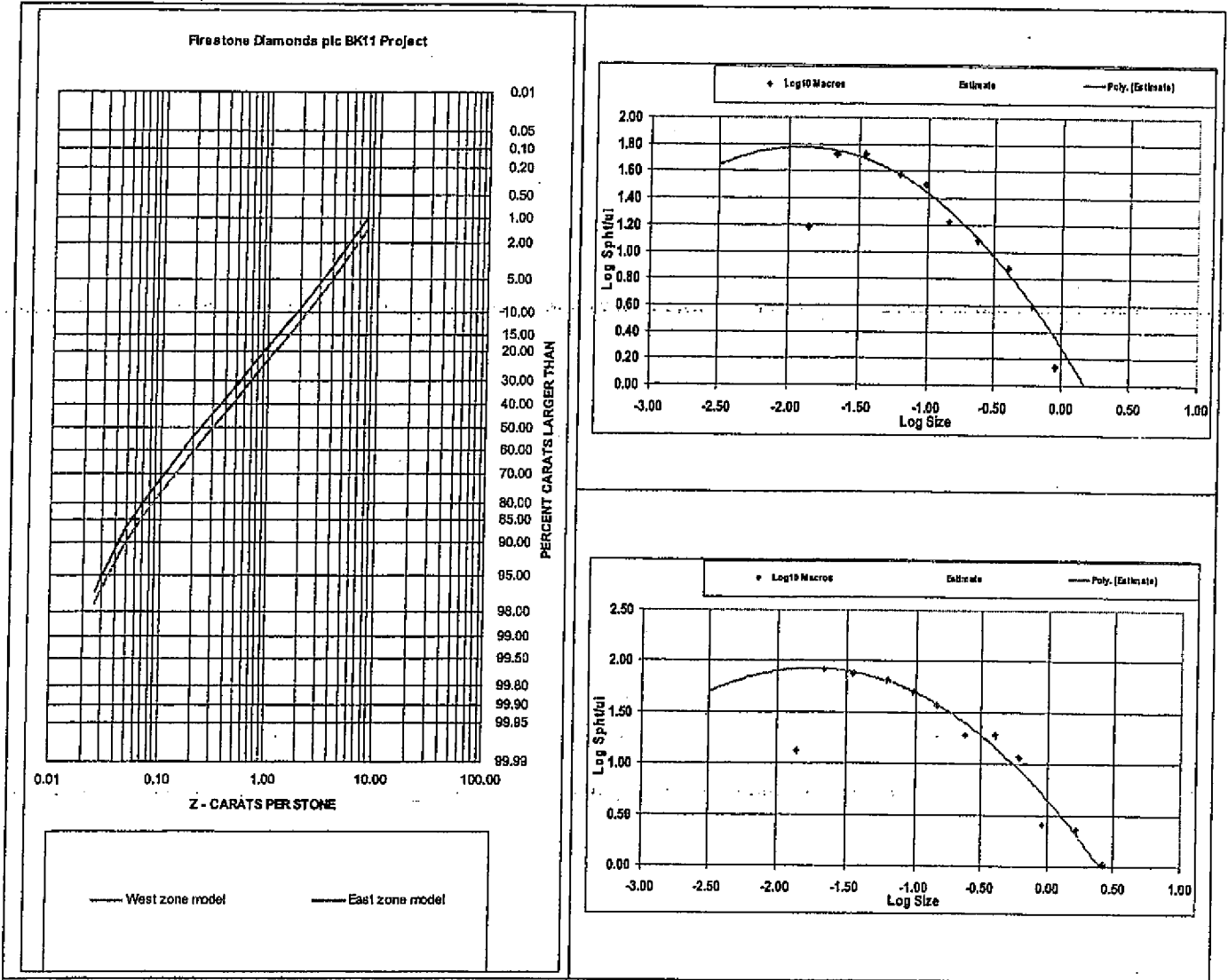
**Table 3.3 BK11 tonnage per geological unit for the Crater facies**

### 3.2 Revenue

The total caratage available from BK11 has been valued as a single entity; this approach therefore assumes the diamond assortment (model, colour and quality) is constant throughout the pipe. In addition the parcel has been sieved on DTC plates.

The revenue estimation process is twofold, the size frequency distribution is obtained from grade – size modelling per zone and the assortment modelled as zone independent.

From the size frequency distributions of the two zones it is evident that the west zone has a coarser distribution (Figure 3.2). The modelled size frequency distributions (from grade - size plots) are summarised in Table 3.4.



**Figure 3.2 West and east zones – grade size plots and size frequency distribution models**

The raw parcel contained 65.43 cts valued at \$5 795 for a raw average price of \$91/ct. Revenue distributions are typically highly positively skewed and BK11 is no exception. The exclusion of two stones amounting to 3.10 cts decreases the average parcel price from \$91/ct to \$59/ct.

Diamond assortment is modelled as revenue per sieve size. The relationship between size and value is exponential and typically modelled using log transformations. The assortment model is shown in Figure 3.3. The modelling is fairly robust at the smaller sizes (up to +12 diamond sieve) but becomes more "noisy" at the larger sizes. This is due to the limited data

20090316Grade and Revenue estimates for BK11

(only 9 out of 759 stones are larger than +12 diamond sieve) and the greater variation in price per carat at the larger sizes.

The revenue model comprises a number of lognormal distributions but with a significant amount of extrapolation at the larger sizes. The average price for the West and East zones is 130 and 112 US\$/ct respectively and is made up as per Table 3.4.

The limits around the coarser west zone revenue (\$/ct) is estimated at 210 and 50 for the upper and lower 90% respectively.

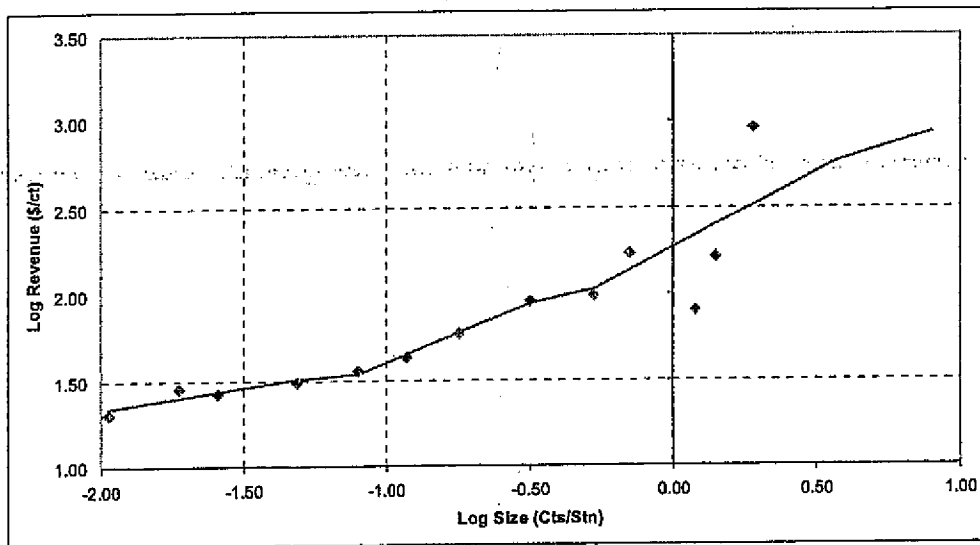


Figure 3.3 Assortment (\$/ct) per sieve size

DTC Sieve size	Assortment	Size distributions	
		West	East
+23	846.90	1.41%	1.01%
+21	572.90	4.10%	3.10%
+19	325.71	6.76%	5.41%
+17	251.76	4.35%	3.63%
+15	216.56	2.93%	2.49%
+13	137.03	10.56%	9.30%
+12	106.17	6.80%	6.24%
+11	88.74	12.47%	11.91%
+9	59.97	14.49%	14.66%
+7	44.80	9.98%	10.69%
+6	34.28	8.05%	9.04%
+5	31.92	8.22%	9.74%
+3	27.18	7.42%	9.43%
+2	25.08	2.48%	3.36%
+1			
Average price		130	112

Table 3.4 Size frequency distribution and assortment for the BK11 west and east zones

#### 4. Summary

The two crater facies zones of BK11 appear quite different in terms of both grade and revenue. The grain flow environment has resulted in some positive reworking of the crater facies with a coarser distribution and a higher grade. The grade distribution within the west zone has been assessed in terms of grade - tonnage curves and while the average grade is 9cphr about 30% of the resource tonnage has a mean grade of 12cphr. The results are summarised below:

Unit	Grade	Revenue
	Cphr (1mm)	US\$/ct
West	9	130
East	4	112

The west zone revenue estimate may range from \$50/ct to \$210/ct at the 90% confidence limits.

The generally low grades of the east zone preclude any opportunity for selective mining.

**In summary it can be expected that portions ( $\pm 30\%$ ) of the west zone crater facies may have grades of 12cphr with revenue of \$130/ct. This revenue estimate could vary from 50 to 210 \$/ct. These grade and revenue estimates are at a 1mm bottom cut off.**

It must be emphasised that this analysis is significantly constrained by the limited data, particularly once the data are separated into geological units or zones.

The BK11 resource has not been subject to a rigorous resource classification process but it is likely that an **Inferred** status would be achieved. The most pronounced weakness in the resource confidence is likely to be the revenue estimate, both the size frequency distribution and the assortment.

The resource confidence, essentially being able to demonstrate continuity and predictability in the geology, could be readily enhanced by:

- Analysis of the dilution data as an aid to geology and grade distribution
- Local estimation, if possible, of the density data, again an aid to geological understanding,

Thereafter to address revenue and grade it is highly recommended that the project:

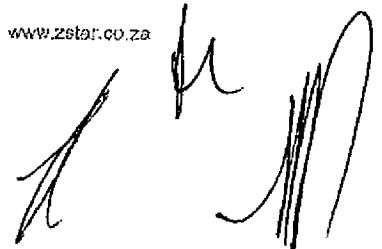
- Increase the caratage for revenue (assortment) estimation purposes
- Increase the caratage for grade estimation purposes, by expansion of the LDD programme for local grade estimation.



DE Bush Pr. Sci. Nat.  
Principal Mineral Resource Analyst

I, David E Bush, am a graduate of Ecole Nationale Supérieure des Mines de Paris, France, with a DEA in Geostatistics (1990); a MSc DIC in Mineral Exploration from Imperial College, London, England (1984) and a BSc (Hons) degree in Geology from the University of the Witwatersrand, South Africa (1980). I have in excess of twenty years experience in geostatistical mineral resource estimation and classification. A significant proportion of this experience has been directly related to diamond deposits. I am currently a director of Z Star Mineral Resource Consultants (Pty) Ltd, and a member of the Geostatistical Association of South Africa. I qualify as a competent person as defined in the "South African Code for Reporting of Mineral Resources and Ore Reserves" (SAMREC) and am registered as a Geological Scientist with the South African Council for Natural Scientific Professions (Registration No. 400071/00).

This Technical Note has been prepared exclusively for our client's confidential use and is not intended for use in the public domain. The Technical Note is intended to be read as a whole and sections should not be read or relied upon out of context. The note contains the professional views and opinions of the consultants, based upon information available at the time of preparation. The quality of the information, conclusions and estimates contained in the Technical Note are consistent with the information available at the time of preparation, as well as with the intentions of the Technical Note, and the circumstances and constraints under which the Technical Note was prepared, which are also set out therein. The Technical Note is based, in part, upon information believed to be reliable from data supplied by the client, which the consultants have not verified as to accuracy and completeness and therefore Z Star Mineral Resource Consultants (Pty) Ltd cannot guarantee accuracy thereof. This note is issued on the understanding that Z Star Mineral Resource Consultants (Pty) Ltd will not be held liable for loss or damages resulting from work undertaken or reported on in terms of the Technical Note or decisions taken on the basis of such work and/or reporting. Furthermore, Z Star Mineral Resource Consultants (Pty) Ltd hereby distances itself from and accepts no liability in respect of any loss and/or damages resulting from any unauthorized use of this Technical Note, in whatsoever manner and howsoever arising. To safeguard the integrity of the information contained within this note, the whole or part(s) of this note may not be quoted or published without the prior written consent of Z Star Mineral Resource Consultants (Pty) Ltd.



## Firestone Diamonds plc BK11 update

LONDON: 30 March 2009

### HIGHLIGHTS:

- Inferred Resource of 12 million tonnes defined containing approximately 830,000 carats
- High grade and diamond values recovered on west side of BK11
  - Sample grades of 9-15 cpht
  - Diamond value of \$175/carat
  - Contains 7 million tonnes
- Grade and diamond values independently modelled
  - Overall modelled value of \$126/carat
  - Modelled grades of 9-12 cpht and value of \$130/carat on west side of BK11
- High value area identified
  - Approximately 3 million tonnes at revenue of \$16-20/t
  - Operating costs of \$6.50/t
  - Potential revenue of up to \$30M per annum at margins of 60-70%
- Evaluation and development plans
  - Bulk sample trench planned to define mineable resource
  - Mine development decision to be made based on trench results in Q3 2009
  - Use of existing Bonte Koe plant would allow production to commence in mid 2010
  - Substantial upside as diamond prices recover

Firestone Diamonds plc, ("Firestone" or "the Company"), the AIM-quoted diamond mining and exploration company (ticker: AIM:FDI), today announces results from evaluation work on its BK11 kimberlite in Botswana. BK11 is situated approximately 20 kilometres south east of Debswana's Orapa Mine and 5 kilometres north east of the AK6 kimberlite, on which De Beers and African Diamonds plan to develop a new mine.

The Company commenced its Phase 2 evaluation programme on BK11 in July 2008. Approximately 2,300 metres of percussion, core and 36 inch large diameter drilling ("LDD") was completed by the end of 2008, and processing of material from the six LDD holes drilled was completed in Q1 2009.

### High grade and diamond values recovered

The highlight of the results is the delineation of a high value area on the western side of BK11 ("KW") from which high grades (4 LDD holes with grades of 9-15 cpht) and high value diamonds (independent valuation of \$175 per carat, March 2009) were recovered. The KW area contains a series of high grade grain flow deposits similar to those on the western side of the nearby Orapa and Damtshaa mines, where they represent the highest grade deposits at both mines.


Geostatistical modelling of the grade and value of diamonds recovered from sampling was carried out by Zstar Mineral Resource Consultants ("Zstar"), a highly experienced independent diamond mineral resource consultancy. The Zstar modelling provided the following results:

<i>KW Area</i>	<i>Sample results</i>	<i>Modelled results</i>
Grade (cpht)	9-15	9
Diamond value (\$ per carat)	\$175	\$130
Revenue (\$ per tonne)	\$16-26	\$12

The Company believes that grades and diamond values from mining in the KW area are likely to exceed the modelled values and that selective mining is likely to produce revenue of around \$20 per tonne. The KW area is estimated to contain approximately 7 million tonnes of kimberlite.

The Zstar modelling also identified a high grade zone of approximately 3 million tonnes close to surface in KW (the "KWU Zone"), with the following results:

<i>KWU Zone</i>	<i>Sample results</i>	<i>Modelled results</i>
-----------------	-----------------------	-------------------------



Grade (cpht)	11	12
Diamond value (\$ per carat)	\$175	\$130
Revenue (\$ per tonne)	\$19	\$16

On the basis of these results, and with operating costs at BK11 estimated to be \$6.50 per tonne, the KWU zone would produce operating margins of between 60 to 70%. These results are particularly significant as they are based on current rough diamond prices, which have fallen by approximately 50% over the past 6 months. Any recovery in diamond prices, which the Company believes is likely to occur by 2010, would add substantially to the potential profitability of BK11.

The Company is very encouraged by these results and believes that it is likely that the development of a new mining operation on BK11 will be justified on the basis of the KW resource alone and intends to accelerate evaluation work, with the objective of establishing a mineable resource and making a mine development decision in Q3 2009.

Philip Kenny, CEO of Firestone Diamonds, commented: "It is a major achievement for us to have identified significant economic potential at BK11 despite current low rough diamond prices. If we make a mine development decision in Q3 2009, production could commence by the middle of 2010. We are also making progress in contract negotiations with Debswana in relation to the recently announced Jwaneng tailings project. If we achieve our targets for these projects we expect to start generating significant long term cash flow from both projects in 2010, and the Company will be well positioned to take advantage of opportunities that arise when the rough diamond market recovers."

#### Evaluation and development plans

A 20,000 tonne bulk sample trench is planned for the KW area. This trench is expected to produce approximately 2,000 carats and to allow higher confidence grade and diamond value estimates to be made. A 25 tonne per hour containerised pilot production plant is currently being mobilised from the Company's Avontuur Mine in South Africa to process the trench samples at BK11. Processing of the samples is expected to be completed by the end of Q3 2009.

The Company is also continuing with its plans to relocate the processing plant and infrastructure from the Company's Bonte Koe Mine in South Africa to BK11, subject to results from trench sampling. The availability of this plant will substantially reduce the time and cost to develop a new mining operation at BK11 and further enhance the economics of the project. Development costs are estimated to be approximately \$7.5 million and production could commence in mid 2010 with an initial capacity of approximately 1.5 million tonnes per annum. At revenues of \$20 per tonne, BK11 could produce annual revenues of approximately \$30 million per annum and reach payback in less than 6 months.

#### Diamond valuation

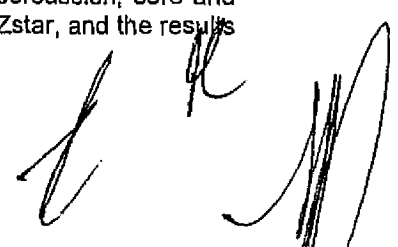
The quality of diamonds recovered from sampling was very good, comprising mostly clear white gemstones and very little board. The parcel contained 4 stones of over 1 carat in size, which is very encouraging in relation to diamond value, with the biggest stone recovered being 1.93 carats and valued at \$910 per carat. The diamonds were valued in March 2009 by Johan Erikson, an independent diamond valuator with 28 years' experience in diamond valuation, resulting in a raw value of \$92 per carat for the overall parcel, and \$175 per carat for the KW area.

Zstar has used the valuation data to carry out a modelling exercise on the BK11 diamond population. The overall modelled value of BK11 diamonds is \$126 per carat. The KW area has a slightly higher modelled value of \$130 per carat, with 90% upper and lower confidence limits of US\$210 and US\$50 per carat, respectively.

These are very high values for kimberlite production - by comparison, the value of diamonds produced from the nearby Orapa and Letlhakane Mines (prior to the 50% drop in rough diamond prices that occurred at the end of 2008) was estimated to be \$50 per carat and \$180 per carat, respectively.

#### Grade and tonnage estimates

A total of 616 diamonds weighing 63.52 carats were recovered from approximately 900 tonnes of kimberlite sampled, giving an overall sample grade of 7 carats per hundred tonnes ("cpht"). An Inferred Resource of 12 million tonnes of kimberlite containing approximately 830,000 carats has been defined on the basis of logging and interpretation of the 8,600 metres of percussion, core and LDD drilling that have been carried out to date. This data has been modelled by Zstar, and the results are shown below:



Resource Area	Average sample grade (cpht)	Modelled grade (cpht)	Tonnage (million tonnes)
KW	11	9	7
KE (BK11 east side)	5	4	5

For further information, visit the Company's web site at [www.firestonediamonds.com](http://www.firestonediamonds.com), or contact:

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Alexander Dewar, Brewin Dolphin +44 131 529 0276  
(Nominated Adviser)

**Background information on Firestone Diamonds:**

AIM quoted Firestone Diamonds plc ("FDIL") is an international diamond mining and exploration company with operations in Botswana and South Africa. Botswana is the world's largest and lowest cost producer of diamonds, with annual production worth over \$2.5 billion, and is considered to be one of the most prospective countries in the world to explore for diamonds.

Firestone is the largest holder of mineral rights in Botswana's diamondiferous kimberlite fields, controlling over 29,000 square kilometres around the major Orapa and Jwaneng mines and the entire Tsabong kimberlite field. Firestone has 95 kimberlites in its portfolio, of which 24 have been proven to be diamondiferous. Sixteen of Firestone's kimberlites are at the bulk sampling stage, of which BK11 is the most advanced.

**Background information on Zstar Mineral Resource Consultants:**

Zstar Mineral Resource Consultants ([www.zstar.co.za](http://www.zstar.co.za)) is an independent mineral resource consultancy specializing in sample optimization, geostatistical estimation and mineral resource classification for diamond deposits. The Zstar team of four geologists were employed by De Beers until 2008 as Principal Mineral Resource Analysts, where they were responsible for directing and reviewing resource evaluation, modelling and classification activities for De Beers' mines, development projects and resources worldwide. Zstar are currently preferred suppliers of mineral resource consultancy services to the De Beers group of companies.

**Notes:**

1. The information in this statement has been reviewed by Mr. Tim Wilkes, B Sc, Pr Sci Nat, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr. Wilkes is Chief Operating Officer of Firestone Diamonds plc and has over 27 years experience in diamond exploration, mineral resource management and mining. Mr. Wilkes is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).
2. All grades and diamond values are based on a bottom cut off of 1mm.
3. The resource estimates in this statement have been compiled in accordance with the SAMREC code.

Annexure D : Summary of expenditure incurred by Firestone on BK11 to date and estimate of remaining expenditure to complete evaluation of and to develop a new mining operation at BK11.

BK 11 PROJECT PROGRAM ANALYSIS	PHASE 1			PHASE 2	PHASE 3			PHASE 4	TOTAL PROJECT COST	
DESCRIPTION & DEFINITIONS	Initial Evaluation			Follow Up	Resource Development			Production		
	Actual	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast		
	CY 2007	H1-CY 2008	30/06/2008	H2-CY 2008	CY 2009	CY 2009	TOTAL	30/03/2010		
	Free Carry on 1st 100ton Bulk sample	Cost over and above 100ton Bulk Sample	Total Audited Financials	Follow Up Evaluation	Trench	Pilot Plant	Total Resource Dev	Production		
<b>ACTIVITY SUMMARY</b>										
Core Drilling Meters	Meters	0	0	0	6 354	1500	0	1 500	0	
LDD Drilling Meters	Meters	284	354	638	845	0	0	0	0	
Percussion Drilling Meters	Meters	0	0	0	763	0	0	0	0	
Bulk Sampling	Tons	100.00	125.00	225	699.61	20 000	0	20 000	0	
Production	Tons	0	0	0	0	0	0	0	247 766	
<b>PROJECT COST</b>										
Drilling Cost		11 073 372	707 572	11 780 944	19 015 627	5 455 275	20 874 716	26 329 991	0	57 126 562
Analytical & Professional Services Cost		7 341 774	0	7 341 774	8 552 819	1 875 000	0	1 875 000	0	
Licenses & Permits		968 276	389 494	1 357 770	1 978 601	812 000	0	812 000	0	
Bulk Sample Cost		0	0	0	31 664	13 500	0	13 500	0	
Technical Staff & Project Man		450 979	318 078	769 057	4 045 455	2 000 000	6 279 419	8 279 419	0	
Finance & Admin		2 312 343	0	2 312 343	1 506 265	180 000	523 710	703 710	0	
Diamond Sorting		0	0	0	1 319 397	0	1 319 397	1 319 397	0	
Management Fees		0	0	0	94 994	315 000	286 591	601 591	0	
Equipment Lease - Pilot Plant		0	0	0	1 486 431	259 775	840 912	1 100 687	0	
		0	0	0	0	0	11 624 688	11 624 688	0	
<b>NEW CAPITAL - PRODUCTION PLANT</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>183 021 740</b>	<b>183 021 740</b>
<b>PRODUCTION</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-144 639</b>	
Revenue		0	0	0	0	0	0	0	32 616 297	
Start Up & Commissioning Cost		0	0	0	0	0	0	0	15 495 313	15 495 313
Mining & Plant Operations		0	0	0	0	0	0	0	13 327 355	
Levies , Taxation & Diamond Handling		0	0	0	0	0	0	0	3 938 268	
<b>TOTAL BK 11 PROJECT COST</b>		<b>11 073 372</b>	<b>707 572</b>	<b>11 780 944</b>	<b>19 015 627</b>	<b>5 455 275</b>	<b>20 874 716</b>	<b>26 329 991</b>	<b>198 517 053</b>	<b>255 643 615</b>

## Annexure E

### Assumptions, Results and Notes to the financial model "BK 11 Inferred Resource Valuation March 2009

#### Summary

This valuation is based on the grades, tonnages and diamond values contained in the announcement released by Firestone on 30 March 2009.

A total investment of \$22.4m will be required from Monak Venture's shareholders to take the project from the first 100 tonne bulk sample through to completion of the current evaluation work, mine development and commissioning. The \$28.1 million project valuation is the value of the project after the investment of these funds. A breakdown of the required investment is provided below:

Work	Status	Cost (\$m)
Phase 2 – evaluation	Completed March 2009	\$2.3
Phase 3 – evaluation (estimated)	Due to be completed September 2009	\$3.2
Phase 4 – mine development and commissioning (estimated)	Subject to results of Phase 3	\$16.8 (See note 1)
<b>Total</b>		<b>\$22.4</b>

Note 1: Phase 4 costs increase to \$24,357,920 if the Firestone plant is sold to Monak at market value.

#### Valuation

Project Valuation (after completion of investment detailed above)			
Net Present Value of Project	Pre Tax	USD	35.8 M
Net Present Value of Project	Post Tax	USD	28.1 M



**Key Assumptions**

Resource	Tons	12 Mt
Grade	cpht	First 4 years – 10.5 cpht Years 5 until resource depletion - 8 cpht
Diamond Price (Period 1)	USD / Carat	130 USD
Allowance for Diamond Price Increase	% appreciation per annum	5%
Total Carats Produced by Project	Carats	1.04 M
Exchange Rate (Period 1)	BWP / USD	BWP 8.15
Future Exchange Rate Adjustment	% per Annum	3% allowance weakening against mayor currencies
Plant Throughput Capacity	Tons per Hour	200 tph
Plant Production Capacity (Steady State)	Tons per Annum	1.3 Mt
Operational Cost (Period 1)	USD/t	
Mining & Stripping	USD/t	2.25
Plant Operations	USD/t	4.00
Overheads & Other	USD/t	0.25
Total Operational Cost	USD/t	6.50
Inflationary increase on Operational Cost	% increase per annum	5%
Corporate Taxation	% of Profit	25%
Withholding Taxation	% of Foreign Dividends	Nominal Rate 15% Effective Rate 10%
Diamond Sales & Insurance Fee	% of Sales	1.5%
Government Royalties	% of Sales	10%
NPV Discount Rate used in financial models	%	10%
Stripping Ratio	% of Mined Tons	10%

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## MEMORANDUM

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To: TA Wilkes  
Company Firestone Diamonds Plc  
From DE Bush  
Date 15<sup>th</sup> June 2009

Copy

Subject **Revision of the BK11 diamond revenue estimate**

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### 1. Introduction

Z Star Mineral Resource Consultants (Z\*) completed a mineral resource estimate for the BK11 pipe in March 2009. The stones recovered during the large diameter drilling (LDD) programme have recently been re-valued. This note assesses the results of the re-valuation on the average price (US\$/crt) model of the BK11 mineral resource.

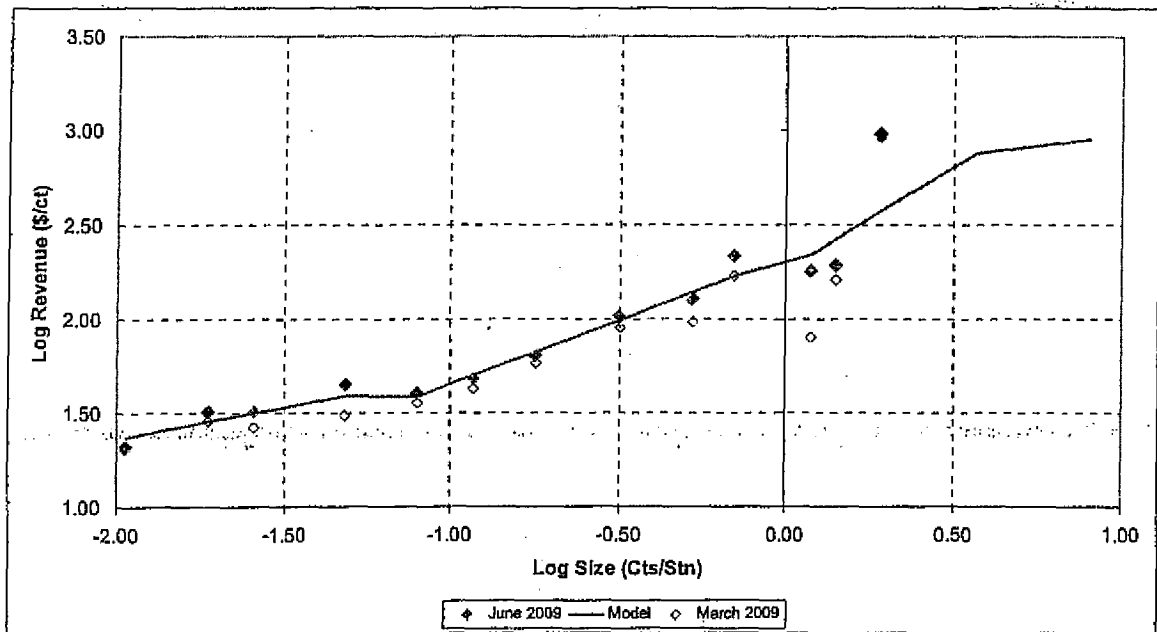
### 2. Data and Analysis

The LDD programme recovered 769 stones weighing 63.62 carats (759 stones weighing 63.43 carats in the March 2009 analysis) which were recently re-valued. The size frequency distribution of the diamond parcel differs between the two valuations and is a result of both stone movements between sieve classes and weighing and roll-up discrepancies within diamond sieve sizes. In addition stones not available in March 2009 were added to the parcel for the June valuation. The two valuations (March 2009 and June 2009) are shown in Figure 1. The June 2009 valuation shows a higher sample price in all sieve sizes and equally significant that the increase in value is different for different sieve sizes.

The June 2009 valuation increased the raw parcel valuation from US\$91 to US\$106 per carat. As noted in the March 2009 revenue estimate the average price is highly dependent on limited data at the larger size sizes. Removing two of the larger stones from the parcel reduces the parcel average price from US\$106 to US\$77 per carat

A diamond average price estimate combines size (the size frequency distribution) with assortment (model or shape, quality and colour). The size frequency distributions are unchanged; reflecting the average size distribution and the coarser distribution of the western portion of the crater facies.

A similar assortment modelling process, of the March 2009 data, was applied to the June 2009 data with the resultant curve (Model) shown in Figure 1. The assortment model is combined with the two size frequency distribution models to determine average prices for the BK11 pipe.



**Figure 1 BK11 Parcel value per diamond sieve size**

DTC sieve size	Assortment US\$/crt	Size distributions	
		West	East
+23	880.11	1.41%	1.01%
+21	596.77	4.10%	3.10%
+19	368.28	6.76%	5.41%
+17	266.79	4.35%	3.63%
+15	220.94	2.93%	2.49%
+13	171.13	10.56%	9.30%
+12	139.86	6.80%	6.24%
+11	99.40	12.47%	11.91%
+9	67.31	14.49%	14.66%
+7	50.36	9.98%	10.69%
+6	38.59	8.05%	9.04%
+5	39.31	8.22%	9.74%
+3	31.72	7.42%	9.43%
+2	28.49	2.48%	3.36%
+1			
Average price (US\$/crt)		144	125

**Table 1 Size frequency distributions and assortment models for the BK11 West and East zones**

### 3. Summary

The average price for the BK11 crater facies is estimated at US\$125 per carat. The coarser size frequency distribution of the West zone of the crater facies results in a higher revenue

estimate, namely US\$144 per carat. These revenue estimates are at a strict 1.0mm bottom cut off.

The limited revenue data implies a significant level of risk, or alternatively a low resource confidence, in the mineral resource model. As per the March 2009 mineral resource model classification is considered to be Inferred. The revenue estimate could vary from US\$48 to US\$236 per carat at a strict 1.0mm bottom cut off.



DE Bush Pr. Sci. Nat.  
Principal Mineral Resource Analyst

I, David E Bush, am a graduate of Ecole Nationale Supérieure des Mines de Paris, France, with a DEA in Geostatistics (1990); a MSc DIC in Mineral Exploration from Imperial College, London, England (1984) and a BSc (Hons) degree in Geology from the University of the Witwatersrand, South Africa (1980). I have in excess of twenty years experience in geostatistical mineral resource estimation and classification. A significant proportion of this experience has been directly related to diamond deposits. I am currently a director of Z Star Mineral Resource Consultants (Pty) Ltd. and a member of the Geostatistical Association of South Africa. I qualify as a competent person as defined in the "South African Code for Reporting of Mineral Resources and Ore Reserves" (SAMREC) and am registered as a Geological Scientist with the South African Council for Natural Scientific Professions (Registration No. 400071/00).

This Memorandum has been prepared exclusively for our client's confidential use and is not intended for use in the public domain. The Memorandum is intended to be read as a whole and sections should not be read or relied upon out of context. The note contains the professional views and opinions of the consultants, based upon information available at the time of preparation. The quality of the information, conclusions and estimates contained in the Memorandum are consistent with the information available at the time of preparation, as well as with the intentions of the Memorandum, and the circumstances and constraints under which the Memorandum was prepared, which are also set out therein. The Memorandum is based, in part, upon information believed to be reliable from data supplied by the client, which the consultants have not verified as to accuracy and completeness and therefore Z Star Mineral Resource Consultants (Pty) Ltd cannot guarantee accuracy thereof. This note is issued on the understanding that Z Star Mineral Resource Consultants (Pty) Ltd will not be held liable for loss or damages resulting from work undertaken or reported on in terms of the Memorandum or decisions taken on the basis of such work and/or reporting. Furthermore, Z Star Mineral Resource Consultants (Pty) Ltd hereby distances itself from and accepts no liability in respect of any loss and/or damages resulting from any unauthorized use of this Memorandum, in whatsoever manner and howsoever arising. To safeguard the integrity of the information contained within this note, the whole or part(s) of this note may not be quoted or published without the prior written consent of Z Star Mineral Resource Consultants (Pty) Ltd.