

20 July 2010

Kopane Diamond Developments plc

Carlisle House
235-237 Vauxhall Bridge Road
London SW1V 1EJ
Attention: James Cable

Lanstead Capital L.P.

PO Box 1362
Draper, UT 84020
United States of America
Attention: Gregory Kofford

CC: c/o MoFo Notices
CityPoint
One Ropemaker Street
London EC2Y 9AW
Attention: Mark Holden, Gregory Kofford, Edward Lukins and Bradley Theobald

Firestone Diamonds plc ("Firestone")

26-28 Hammersmith Grove
London W6 7BA

Dear Sirs

Re: Equity Swap Transaction dated 4 November 2009 and Equity Swap Transaction dated 14 January 2010 in respect of the ordinary shares of Kopane Diamond Developments plc between Lanstead Capital L.P. and Kopane Diamond Developments plc

1. BACKGROUND

1.1 Lanstead Capital L.P., acting as the Calculation Agent, refers to the following transaction documents (the "**Transaction Documents**"):

- (1) the ISDA Master Agreement dated as of 4 November 2009 (including the related Schedule (the "**ISDA Schedule**") and Credit Support Annex (the "**CSA**")) between Lanstead Capital L.P. ("**Lanstead**") and Kopane Diamond Developments plc ("**KDD**");
- (2) the confirmation dated 4 November 2009 between Lanstead and KDD evidencing cash-settled equity swap transactions (the "**First Equity Swap Confirmation**"); and
- (3) the confirmation dated 14 January 2010 between Lanstead and KDD evidencing cash-settled equity swap transactions (the "**Second Equity Swap Confirmation**", and together with the First Equity Swap Confirmation, the "**Confirmations**"),

each as amended and supplemented from time to time.

- 1.2 Unless otherwise defined in this letter, capitalised terms used in this letter shall have the meanings given to them in the relevant Transaction Documents and the 2002 ISDA Equity Derivatives Definitions (the "Equity Definitions"), as applicable.
- 1.3 Each Confirmation relates to ordinary shares (the "KDD Shares") in the capital of KDD, which are the "Shares" as defined in each Confirmation. It is expected that Firestone will announce on or shortly after the date of this letter a recommended offer to purchase the entire issued share capital of KDD to be implemented by way of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme") or, alternatively, by way of a takeover offer (the "Offer"). The date on which Firestone announces the terms of the Scheme or Offer shall be the "Announcement Date".
- 1.4 Under the terms of the Scheme or Offer, the KDD Shares will be delisted, and each KDD shareholder will be allotted on the effective date of the Scheme or on a date following the Offer becoming unconditional in all respects (the "Relevant Date") ordinary shares in the capital of Firestone ("Firestone Shares") at a ratio of 0.4657 Firestone Shares for every one (1) KDD Share held. The Firestone Shares are traded on AIM a market of the London Stock Exchange.
- 1.5 The Scheme or Offer constitutes an Extraordinary Event under the Equity Definitions. As Calculation Agent, Lanstead has therefore determined that the terms of the Confirmations should be adjusted as set out in this letter.
- 1.6 The adjustments set out in paragraphs 2 to 4.1 below shall apply with effect from the Relevant Date.
- 1.7 Lanstead and KDD acknowledge and agree that:
- (1) In respect of the First Equity Swap Confirmation, Swaps 1-5 inclusive (as set out in Schedule 1 of the First Equity Swap Confirmation) have been settled and accordingly, the Remaining Notional Amount under the First Equity Swap Confirmation is GBP 2,493,750; and
 - (2) In respect of the Second Equity Swap Confirmation, Swaps 1-4 inclusive (as set out in Schedule 1 of the Second Equity Swap Confirmation) have been settled and accordingly, the Remaining Notional Amount under the Second Equity Swap Confirmation is GBP 2,312,258.44.
- 1.8 Lanstead also determines and KDD agrees that as of the date of this letter:
- (1) the number of Equity Shares for the purposes of the First Equity Swap Confirmation is 21,234,375 Shares and for the Second Equity Swap Confirmation is 23,122,573 Shares; and
 - (2) the Credit Support Balance for the purposes of the CSA is GBP 4,806,008.44, it being specified that such amount does not include accrued but unpaid interest which will be credited at the end of the month.

2. ADJUSTMENTS TO FIRST EQUITY SWAP CONFIRMATION

- 2.1 With respect to each Swap Transaction which has not been settled on or prior to the Relevant Date, the definition of "Shares" shall be deleted and replaced by the definition of "Shares" as set out below:

"Shares" Firestone ordinary shares par value 20p per share, ISIN number GB0003915336.

- 2.2 With respect to each Swap Transaction which has not been settled on or prior to the Relevant Date, the definition of "Initial Price" shall be deleted and replaced by the definition of "Initial Price" as set out below:
- "Initial Price"** £0.4008304 (40.08304 pence) per Share; subject in each case to adjustment under the "Adjustments" provisions set forth below.
- 2.3 In respect of any Swap Transaction which has not been settled prior to the Relevant Date, the Applicable Share Amount specified for that Swap Transaction in Schedule 1 of the First Equity Swap Confirmation shall be adjusted and shall be replaced by an amount equal to the product of (i) the Applicable Share Amount for that Swap Transaction immediately prior to such adjustment and (ii) 0.4657, and the Number of Shares for such Swap Transaction shall be construed accordingly.
- 2.4 In the definition of "Equity Shares", the reference to "24,750,000" shall be adjusted and replaced by a number equal to the sum of: (a) the sum of the Applicable Share Amounts (each as adjusted under paragraph 2.3 above) for all Swap Transactions which have not settled prior to the Relevant Date and (b) 3,667,388.
- 2.5 The definition of "Aggregate Settled Share Amount" shall be adjusted so that, as of any date on or after the Relevant Date, the Aggregate Settled Share Amount shall be the sum of the Applicable Share Amounts (each as adjusted under paragraph 2.3 above) for all Swap Transactions that have settled on or after the Relevant Date.
- 2.6 The Settlement Date in respect of Swap 6 (as set out in Schedule 1 of the First Equity Swap Confirmation) shall be deferred and shall be deemed to fall on the next Business Day falling after the date 30 days after the Announcement Date and each subsequently scheduled Applicable Settlement Date shall be deferred by an equal number of days. The Settlement Date determined under clause (i) in the definition thereof in the First Equity Swap Confirmation shall be deferred by the same number of days. In each case, the date of the respective Valuation Date shall be adjusted accordingly. In the definition of "Deferral" the reference to "26 months" shall be adjusted and replaced by a reference to "30 months".
- 2.7 The Transfer Amount payable in respect of each unsettled Swap Transaction on each Applicable Settlement Date (as set out in Schedule 1 of the First Equity Swap Confirmation but subject to deferral in accordance with this letter) shall be unchanged at £131,250.
- 2.8 An illustrative schedule is attached to this letter as Appendix A setting out the hypothetical cash payment that would be made under the First Equity Swap Confirmation on each Settlement Date on the following assumptions:
- (1) that the Final Price on each relevant Settlement Date equals the price as specified in the illustrative schedule;
 - (2) that the Relevant Date occurs on 30 September 2010;
 - (3) that no Event of Default or Termination Event has occurred under the First Equity Swap Confirmation;
 - (4) that no further deferral occurs in relation to any Settlement Date (other than as provided in this letter or as determined prior to the date of this letter);
 - (5) that the Resale Condition has been satisfied on, and for at least 25 days of the 30 consecutive day period preceding, each relevant Settlement Date;
 - (6) that no variation, amendment or waiver occurs in relation to any of the Transaction Documents after the date of this letter;

(7) that each of the parties to the Swap Transactions has complied and continues to comply fully with its obligations under the Transaction Documents in accordance with their terms.

2.9 The parties acknowledge that the schedule in Appendix A is for illustrative purposes only and that the parties' legal obligations will be determined solely pursuant to the terms of the Transaction Documents. The actual payments to be made under the Swap Transactions may differ from the payments set out in the illustrative schedule.

3. ADJUSTMENTS TO SECOND EQUITY SWAP CONFIRMATION

3.1 With respect to each Swap Transaction which has not been settled on or prior to the Relevant Date, the definition of "Shares" shall be deleted and replaced by the definition of "Shares" as set out below:

"Shares" Firestone ordinary shares par value 20p per share, ISIN number GB0003915336.

3.2 With respect to each Swap Transaction which has not been settled on or prior to the Relevant Date, the definition of "Initial Price" shall be deleted and replaced by the definition of "Initial Price" as set out below:

"Initial Price" £ 0.3435688 (34.35688 pence) per Share; subject in each case to adjustment under the "Adjustments" provisions set forth below.

3.3 In respect of any Swap Transaction which has not been settled prior to the Relevant Date, the Applicable Share Amount specified for that Swap Transaction in Schedule 1 of the Second Equity Swap Confirmation shall be adjusted and shall be replaced by an amount equal to the product of (i) the Applicable Share Amount for that Swap Transaction immediately prior to such adjustment and (ii) 0.4657, and the Number of Shares for such Swap Transaction shall be construed accordingly.

3.4 In the definition of "Equity Shares" the reference to "27,251,605" shall be adjusted and replaced by a number equal to the sum of: (a) the sum of the Applicable Share Amounts (each as adjusted under paragraph 3.3 above) for all Swap Transactions which have not settled prior to the Relevant Date; and (b) 4,038,068.

3.5 The definition of "Aggregate Settled Share Amount" shall be adjusted so that, as of any date on or after the Relevant Date, the Aggregate Settled Share Amount shall be the sum of the Applicable Share Amounts (each as adjusted under paragraph 3.3 above) for all Swap Transactions that have settled on or after the Relevant Date.

3.6 The Settlement Date in respect of Swap 5 (as set out in Schedule 1 of the Second Equity Swap Confirmation) shall be deferred and shall be deemed to fall on the next Business Day falling after the date 30 days after the Announcement Date, and each subsequently scheduled Applicable Settlement Date shall be deferred by an equal number of days. The Settlement Date determined under clause (i) in the definition thereof in the Second Equity Swap Confirmation shall be deferred by the same number of days. In each case the date of the respective Valuation Date shall be adjusted accordingly. In the definition of "Deferral" the reference to "26 months" shall be adjusted and replaced by a reference to "30 months".

3.7 The Transfer Amount payable in respect of each unsettled Swap Transaction on each Applicable Settlement Date (as set out in Schedule 1 of the Second Equity Swap Confirmation but subject to deferral in accordance with this letter) shall be unchanged at £165,161.

3.8 An illustrative schedule is attached to this letter as Appendix A setting out the hypothetical cash payment that would be made under the Second Equity Swap Confirmation on each Settlement Date on the following assumptions:

- (1) that the Final Price on each relevant Settlement Date equals the price as specified in the illustrative schedule;
- (2) that the Relevant Date occurs on 30 September 2010;
- (3) that no Event of Default or Termination Event has occurred under the Second Equity Swap Confirmation;
- (4) that no further deferral occurs in relation to any Settlement Date under the Second Equity Swap Confirmation (other than as provided in this letter or as determined prior to the date of this letter);
- (5) that the Resale Condition has been satisfied on, and for at least 25 days of the 30 consecutive day period preceding, each relevant Settlement Date;
- (6) that no variation, amendment or waiver occurs in relation to any of the Transaction Documents after the date of this letter;
- (7) that each of the parties to the Swap Transactions has complied and continues to comply fully with its obligations under the Transaction Documents.

3.9 The parties acknowledge that the schedule in Appendix A is for illustrative purposes only and that the parties' legal obligations will be determined solely pursuant to the terms of the Transaction Documents. The actual payments to be made under the Swap Transactions may differ from the payments set out in the illustrative schedule.

4. CONSEQUENTIAL AMENDMENTS TO THE ISDA SCHEDULE AND CSA

4.1 Except as expressly provided herein, with effect on and from the Relevant Date a reference in the ISDA Schedule and CSA to terms that are defined in the Confirmations shall be a reference to such terms as amended by this letter.

5. MISCELLANEOUS

5.1 This letter may be executed and delivered in counterparts (including by facsimile transmission and by electronic messaging system), each of which will be deemed an original.

5.2 No term in this letter shall be enforceable by any person other than the parties hereto.

5.3 This letter and any non-contractual obligations arising out of or in connection with this letter are governed by English law.

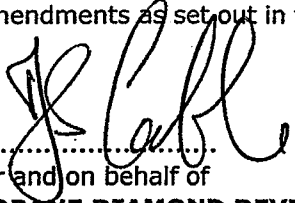
5.4 This letter sets out our determinations and calculations as Calculation Agent, and to the extent not otherwise binding and enforceable, our agreement to amend the terms of the Transaction Documents.

Yours faithfully



.....
for and on behalf of
LANSTEAD CAPITAL L.P.
acting as Calculation Agent

By executing this letter, we acknowledge and agree to be bound by the adjustments and amendments as set out in this letter.


.....
for and on behalf of
KOPANE DIAMOND DEVELOPMENTS PLC

Dated:

.....
for and on behalf of
LANSTEAD CAPITAL L.P.
acting as Party A

Dated:

By executing this letter, we acknowledge the adjustments and amendments as set out in this letter.


.....
for and on behalf of
FIRESTONE DIAMONDS PLC

Dated:

By executing this letter, we acknowledge and agree to be bound by the adjustments and amendments as set out in this letter.

.....
for and on behalf of
KOPANE DIAMOND DEVELOPMENTS PLC

Dated:


.....
for and on behalf of
LANSTEAD CAPITAL L.P.
acting as Party A

Dated:

By executing this letter, we acknowledge the adjustments and amendments as set out in this letter.

.....
for and on behalf of
FIRESTONE DIAMONDS PLC

Dated:

APPENDIX A

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Scenario 1

offer price (payable in offeror shares)
offeror SP at time of offer announcement

£0.1700
£0.3650

monthly equity swap settlement plus credit
support release

£0.4500
£147,340.98
£216,349.60

revised reference price
£0.4009
£0.3435

reference price
£0.1867
£0.1600

credit support release
£131,250.00
£165,161.00

£0.3650
£119,509.91
£175,483.56

Oct 2009 placing
Jan 2010 placing

