



FIRESTONE
DIAMONDS
LIMITED -
DISPOSAL OF
THE
BOTSWANA
OPERATIONS

August 14
2014

Prepared for: Firestone Diamonds Limited

Prepared by: Questco (Proprietary) Limited

REQUEST
FOR
EXPRESSION
OF INTEREST



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LEGAL TERMS AND CONDITIONS

Questco has been mandated by Firestone Diamonds to act as transactional adviser in connection with the disposal of the Botswana Operations.

Questco has been authorised by Firestone Diamonds to issue this Document to prospective parties to the Transaction.

The sole purpose of this Document is to outline to Recipients the process which Firestone Diamonds and Questco will follow in respect of the Transaction and to assist Recipients in deciding whether or not to complete the Credentials Questionnaire and Confidentiality Undertaking required in order for Recipients to be considered for advancement to the next stage of the Process.

Questco is acting as the transactional adviser exclusively to Firestone Diamonds in connection with the Transaction and will not act for or regard any other person as its client in connection therewith. It is expressly recorded that Questco and its respective directors, officers and employees, do not and will not under any circumstances accept responsibility for or liability to any person in respect of any advice or assistance furnished in connection with the Transaction.

It is recommended that any person wishing to sign the Confidentiality Undertaking, complete the Credentials Questionnaire or submit an offer to acquire the Botswana Operations, seek their own independent financial and legal advice.

Information

This Document has been prepared solely for information purposes in connection with the Transaction based on information available as at 14 August 2014, except as otherwise indicated. Neither the delivery of this Document nor the completion of the Transaction implies under any circumstances that the information contained herein is correct as of any such date.

Neither the IM to be supplied to Pre-qualified Bidders nor this Document purport to contain all information which a Recipient may consider material for purposes of deciding whether or not to proceed with the Transaction. Whilst reasonable care has been taken in preparing and collating the information in both documents, nothing contained in the IM or this Document will constitute or be deemed to constitute or be construed as constituting any representation or warranty, express or implied, by either Firestone Diamonds or any company in the Group, or Questco or in each case, their respective directors, officers, employees, consultants or agents as to the accuracy or completeness of such information, nor of any other information ("Additional Information"), whether written, oral or in electronic, pictorial or visual format, made available to any Recipient or its advisers pursuant thereto.

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Without limiting the generality of the foregoing, it is specifically recorded that nothing contained in the IM or this Document shall constitute or be deemed to constitute or be construed as constituting any representation or warranty as to the reasonableness or achievement of future projections, financial prospects or returns, management targets or estimates in respect of the Botswana Operations, save to the extent expressly stated in the Definitive Agreement entered into in respect of the Transaction. Each Recipient or Pre-qualified Bidder should make its own evaluation of the Botswana Operations and all information provided in connection therewith.

This document does not constitute directly or indirectly a solicitation, invitation or request for proposals from or to anyone in any jurisdiction in which the making of any such solicitation, invitation or request for proposals is not authorised or in which (or to whom which) it may be unlawful to make such solicitation, invitation or request for proposals. Prior to responding to or acting upon this Document, each person who obtains possession in whatever manner is obliged to (and shall be responsible to) inform itself of, and comply with, all applicable laws, regulations, restrictions, requirements or the like in respect of its legal entitlements and authorities, under any statutory, corporate or constitutive regulation, to respond to or act upon this Document as a participant in the Process. Any Recipient who responds to or otherwise acts upon this Document as a participant in the Process outlined therein shall be deemed to have warranted in favour of Firestone Diamonds that it is legally entitled to so respond to and/or act upon this Document and has in doing so complied in full with all such applicable laws, regulations, restrictions or other requirements of the jurisdiction in which it resides and/or conducts business.

No proposal submitted to Firestone Diamonds by any Recipient, Interested Party, Pre-qualified Bidder or Finalist will give rise to any obligation, contractual or otherwise, on the part of Firestone Diamonds in respect of the Transaction. Contractual obligations binding on and enforceable against Firestone Diamonds in respect of the Transaction will only arise on execution by all of the parties thereto of the

Definitive Agreement. Firestone Diamonds will accept only those obligations to a Purchaser which may be set forth in the Definitive Agreement.

Variations and Amendments

Firestone Diamonds expressly reserves the right in its sole and absolute discretion and without giving reasons therefore to change, amend, supplement, modify or terminate, at any time and in any respect, the Process outlined in this Document or any part of it; to decide which parties to progress to the next stage or stages of the Process; to terminate discussions with any or all Recipients; to reject any or all proposals and offers submitted in terms of or pursuant to such Process; and to negotiate and/or enter into an agreement with any person, to the exclusion of any other person (whether a Recipient or not), in respect of the Transaction. Neither Firestone Diamonds nor Questco will under any circumstances accept liability for any costs incurred by any person arising from or incidental to any investigations undertaken in respect of the Botswana Operations and/or the negotiation, preparation, execution or implementation of any agreement relating thereto save as expressly provided for in the Definitive Agreement.

To the extent that any Recipient accepts receipt of or responds to this Document, such Recipient accepts that the provisions of this Document, including these terms, conditions and disclaimers set out above are binding on such Recipient, will be construed in accordance with the laws of Botswana and further irrevocably subjects itself to the exclusive jurisdiction of the High Court of Botswana (Gaborone Division) for any actions, suits or proceedings arising out of or in relation to this Document and the Transaction contemplated hereby, provided that nothing in the foregoing will restrict Firestone Diamonds or Questco from instituting proceedings arising out of or in relation to this Document and the Transaction contemplated thereby in any court of competent jurisdiction.

1. EXECUTIVE SUMMARY

Firestone Diamonds is a diamond mining company operating in Lesotho. Firestone Diamonds is in the process of developing the main treatment plant at its Liqhobong mine in Lesotho with the objective of becoming a 1 million carat per annum producer.

The BK11 mine is located in the Orapa kimberlite field in northern Botswana, approximately 7km north-west and 20km south-east of Debswana's Letlhakane and Orapa mines respectively, and is within 5km of Karowe mine which is currently operated by Lucara Diamond Corporation. The surface area of BK11 is estimated to be 9.6Ha and overburden is shallow at, on average, less than 4m, with up to 20m of highly diluted low grade material lying directly above the pipe.

In July 2009 Firestone Diamonds commenced work on the final phase of evaluation on BK11. The primary objective of this work was to recover a sufficiently large parcel of diamonds in order for a high confidence diamond valuation to be obtained and to allow a mine development decision to be made. The quality of the diamonds recovered from the bulk sampling trench was very good, comprising mostly clear white gemstones and very little boart.

The BK11 Mining License was granted in July 2010. Under the current BK11 mine plan approximately 11.5mt of kimberlite was planned to be mined at an average grade of 8.5cpht, resulting in total production of approximately a million carats over a 10 year mine life. Firestone Diamonds began mining operations at BK11 during the third quarter of 2010. In February 2012 BK11 began to experience technical problems in respect of the BK11 Treatment Plant's ability to successfully liberate diamonds due to the absence of secondary and tertiary crushing circuits. In addition to the technical problems experienced, further capital investment is required in order to confirm higher grade kimberlite at depth.

In response to the technical issues experienced, the increased capital requirements of BK11 and the weakening of the diamond market at that time, the Group underwent certain restructuring initiatives during the 2012 financial year. The most significant of these initiatives was a shift in operational and financial focus to Liqhobong. Liqhobong is now seen as the Group's flagship asset and is the main focus of the Group over the medium term. This shift in focus resulted in the Botswana Operations being identified as non-core to the Group and therefore placed on care and maintenance.

Firestone Diamonds is of the view that the Botswana Operations present a rare opportunity with the potential to deliver strong returns under the ownership of an operator or operators for whom it would be a core asset for *inter alia* the following reasons:

- 11.5mt of production in the mine plan, over a life of mine of 10 years, at an average grade of 8.5cpht;
- potential to substantially improve the yield from the BK11 Treatment Plant with the introduction of further capital investment;
- fully commissioned electrical power infrastructure that was ready for connection to BK11 when the BK11 operations were placed on care and maintenance;
- no LDD sampling has been performed below a depth of 150m, however core holes have been drilled down to depths of 250m and the results thereof indicate primary kimberlite and continuity to depth;
- high quality infrastructure is in place due to the existence of the Debswana mines (Letlhakane and Orapa) in the region;
- significantly coarse BK11 mine production parcels with lack of any boart or industrial material; and
- as of 30 June 2013, being the most recent financial year end of Firestone Botswana and Monak, the approximate combined tax loss of both entities is BWP399 million/US\$45 million. This tax loss represents a tax benefit that can be offset against future taxable income generated by the Purchaser.

As a result of the above, Firestone Diamonds has taken the decision to initiate a disposal process in respect of the Botswana Operations. Given the number of parties that have expressed an interest in the Botswana Operations, a public disposal process has been initiated.

2. OVERVIEW OF THE BOTSWANA OPERATIONS

Firestone Botswana is a 100% held subsidiary of Firestone Diamonds. Monak is a 90% held subsidiary of Firestone Diamonds, with the remaining 10% of the issued shares in Monak being held by the Botswana Partners. The abridged group structure in respect of the Botswana Operations is set out below.

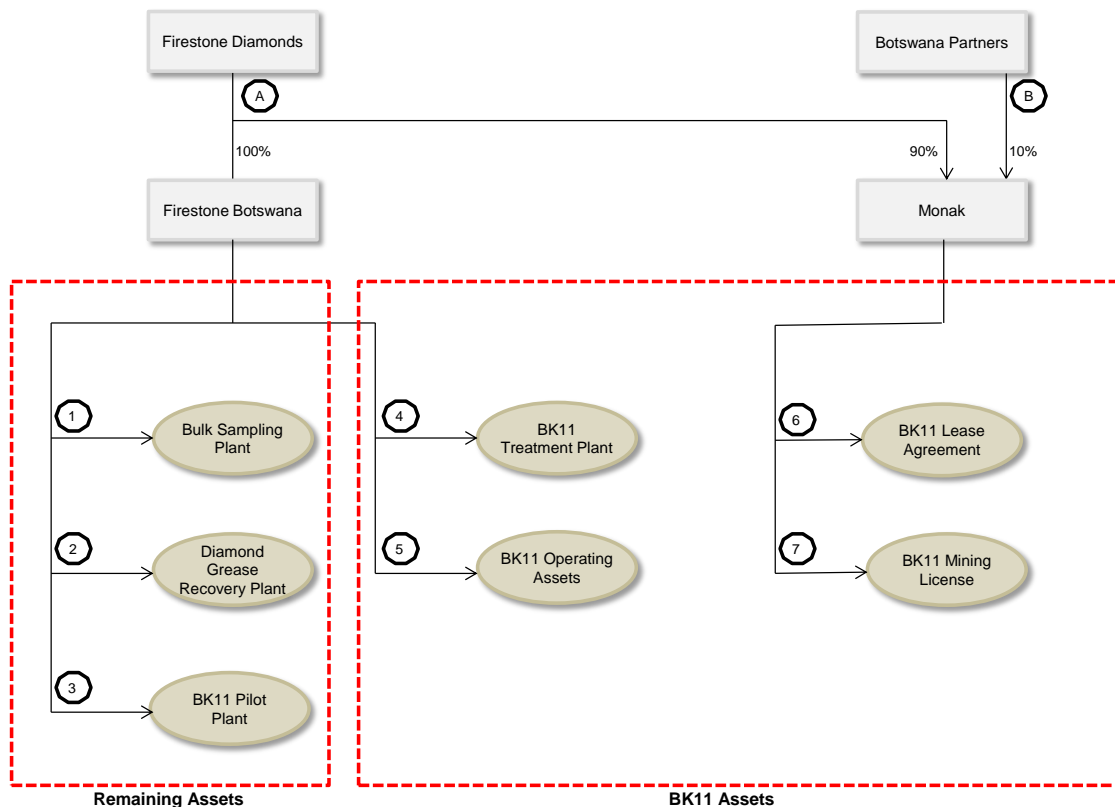


Figure 1: Abridged Group structure

Firestone Diamonds has decided to dispose of its Botswana Operations.

The Botswana Partners, however, reserve the right not to dispose of their 10% interest in Monak. Therefore Indicative Bids and Final Binding Bids must cater for **BOTH** potential purchase scenarios i.e. bids for A only (the Firestone Diamonds Interest), **AND** for A and B (the Firestone Diamonds Interest and the Botswana Partners Interest, which together comprise the Combined Interest), with bidders being prepared to conclude the Transaction under either scenario. Bids for specific assets within the Botswana Operations sale package will not be entertained.

Assets numbered 4, 5, 6 and 7 in the diagram above (the BK11 Assets) are further described in section 3 of this Document, while assets numbered 1, 2, and 3 (the Remaining Assets) are further described in section 4 of this Document.

3. OVERVIEW OF BK11

3.1. Introduction

The BK11 kimberlite pipe is located approximately 20km south-east of the Orapa diamond mine, 8km south-west of Letlhakane Village and about 7km north-west of the Letlhakane diamond mine. BK11 is also located approximately 5km north-east of the Karowe mine, on which Lucara Diamond Corporation has developed a significant diamond mine. The mining lease covers an area of 3.54km².

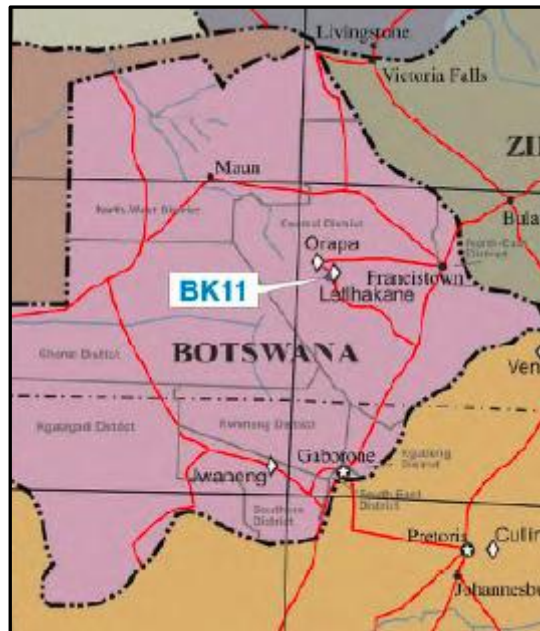


Figure 2: Location of BK11

In March 2007, Firestone Diamonds was awarded a prospecting license over the BK11 kimberlite pipe and was subsequently granted the BK11 Mining License in July 2010. Mining at BK11 began in the third quarter of 2010.

3.2. Infrastructure

The Orapa and Letlhakane area is home to three large scale diamond operations: Orapa, Letlhakane and Damtshaa, all operated by Debswana. As a result of these significant operations being developed, extensive infrastructure has been introduced in the area to support the mining industry.

A network of all-weather roads connects the Orapa/Letlhakane area to Francistown to the east, Serowe to the south-east and Maun to the north-west.

Francistown boasts an international airport that provides for international flights within Southern Africa. BK11 is located approximately 250km from Francistown, and roads connecting Francistown to BK11 are in good condition.

The close proximity of BK11 to Letlhakane provides a ready and close source of labour and accommodation.

3.3. Geology

The surface area of BK11 is presently modelled as 9.6Ha and overburden, consisting of Kalahari sands and calcretes, is relatively shallow at, on average less than, 4m. The overburden is underlain by intensely calcretised and silcretised low grade kimberlitic material up to a depth of approximately 20m.

A comprehensive exploratory drilling programme was undertaken to fully delineate the position, extent and morphology of the BK11 kimberlite pipe below the surface to a depth of approximately 150m, as well as to establish the mineral resource potential. These results, together with the LDD and trench sampling, were used to evaluate future open pit and mineable resources at BK11, as well as to determine the infrastructure development required to achieve the projected levels of production.

51 core holes totalling 7,323m have been drilled and logged on BK11, and the information used to construct the geological model. Based on the information obtained the BK11 kimberlite has been shown to be a classic “champagne glass” shaped pipe with a large crater bowl filled with layered volcanoclastic deposits (K2-K3) and talus slope deposits, commonly known as country rock breccia, closer to the crater walls. A rather less-well delineated “neck” of more massive volcanoclastic kimberlite (K4) and basalt breccia underlies the crater. The kimberlite is covered with a thin veneer of up to, on average, 4m of Kalahari sands and then gradational calcrete/silcrete units which are believed to be dominantly weathered K1 material. Several shaley kimberlite units are present in the upper pipe, dipping gently outwards from the K1 “knoll” in the centre of the pipe.

The western and central side of the kimberlite pipe at BK11 is characterised by a cleaner and subsequently higher grade kimberlite, containing a higher proportion of clear white crystals with very little boart. However the eastern side of the kimberlite pipe at BK11 is characterised by dirty, heavily diluted and therefore lower grade kimberlite.

The following diagrams provide a cross-sectional analysis of the BK11 kimberlite pipe and indicate the approximate depths below surface at which the various facies are present.

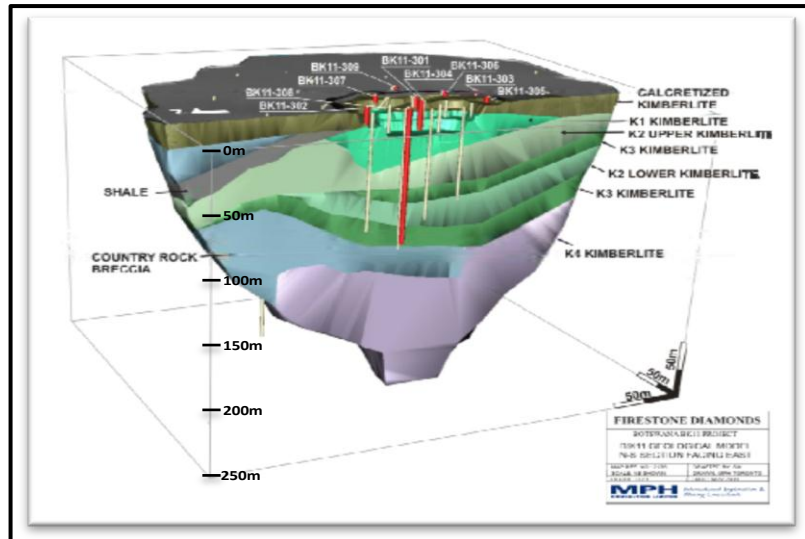


Figure 3: BK11 geological model north to south cross section, facing east

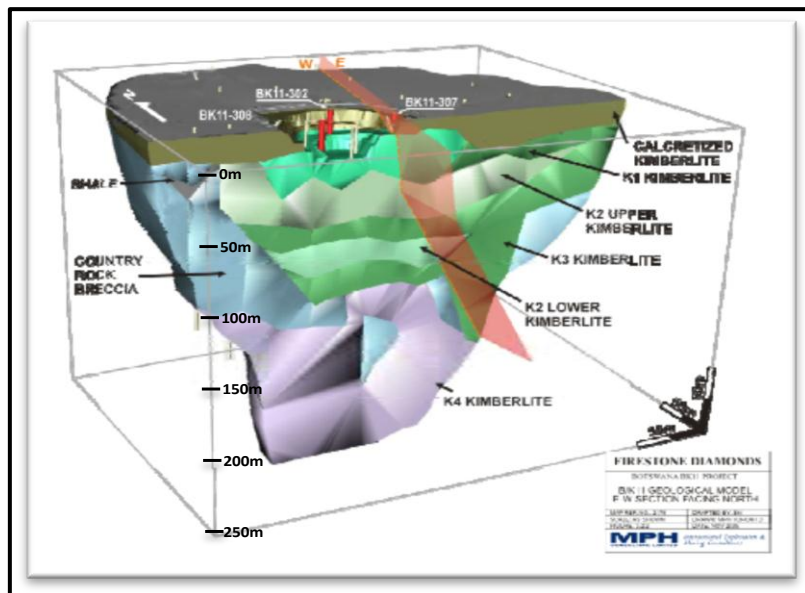


Figure 4: BK11 geological model east to west cross section, facing north

Geologically, as the kimberlite pipe is classified vertically, it is expected that the SFD of diamonds will coarsen as the pit becomes deeper and when the coarser K2 units are intersected.

3.4. Resource Statement

The Resource Statement for BK11, which is SAMREC compliant as of 26 November 2009, is set out in the table below:

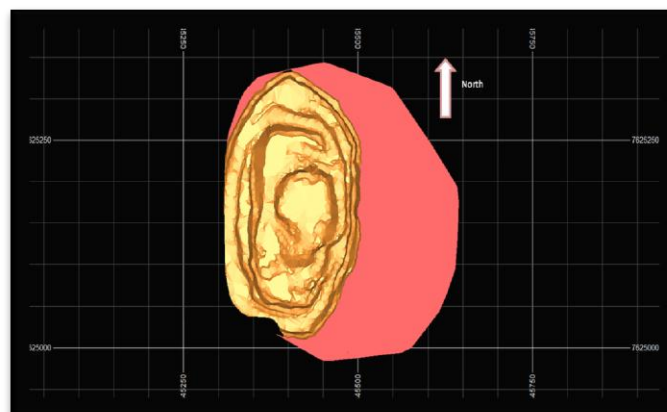
	Inferred				Indicated			
3m-20m	Volume	Tonnes	Grade*	Carat	Volume	Tonnes	Grade*	Carat
Internal waste	1,845,579	4,282,308	2	66,748				
Eastern Zone	75,054	164,552	3	4,235				
Western Zone					64,272	138,185	8	11,506
Total	1,920,633	4,446,860	2	70,983	64,272	138,185	8	11,506
20m-60m								
Internal waste	1,071,090	2,341,025	2	46,472				
Eastern Zone	1,294,400	2,837,530	4	104,930				
Western Zone					1,012,859	2,182,664	10	228,037
Total	2,365,490	5,178,555	3	151,402	1,102,859	2,182,664	10	228,037
60m-120m								
Internal waste	1,340,701	3,216,378	2	64,328				
Eastern Zone	1,314,428	2,977,797	4	124,759				
Western Zone	1,467,038	3,283,441	10	313,948				
Total	4,122,167	9,477,616	5	503,035				
120m-150m								
Internal waste	758,334	1,820,000	2	36,400				
Kimberlite	2,855,567	6,567,805	3	196,247				
Total	3,613,901	8,387,806	3	232,647				
Grand Total	12,022,190	27,490,836	3	958,066	1,077,131	2,320,849	10	239,543

* Weighted average, +1.6mm bottom cut-off screen size.

No LDD sampling has been performed below a depth of 150m. However core holes have been drilled down to depths of 250m and the results thereof indicate primary kimberlite resource and continuity to depth.

3.5. Mining processing and operations

As the mining operations at BK11 were only active for a limited period of time, the kimberlite pipe was mined to a depth of approximately 60m. Due to its higher grade, mining operations focused initially on the Western Zone of the kimberlite pipe. The diagram below is a plan view of the pit mined to date.



The mining operations at BK11, prior to the mine being placed on care and maintenance, consisted of ore being loaded from the open pit and/or existing stock piles by hydraulic excavators onto five 25t ADTs which then transported material to the BK11 Treatment Plant for processing and recovery of diamonds. An additional fleet of 6 ADTs was used for waste stripping and initial overburden removal. However as waste volumes increased a contractor was appointed to carry out the removal of waste rock. Drilling and blasting operations were also outsourced.



Figure 6: The BK11 pit in its current state

In February 2012 the BK11 operation began to experience technical problems in respect of the BK11 Treatment Plant's ability to successfully liberate diamonds due to the absence of secondary and tertiary crushing circuits. In addition to the technical problems experienced, further capital investment is required in order to confirm higher grade kimberlite at depth and to modify the existing BK11 Treatment Plant.



Figure 7: The BK11 Main Treatment Plant

The process flow diagram of the BK11 Treatment Plant, prior to being placed on care and maintenance, is set out as follows:

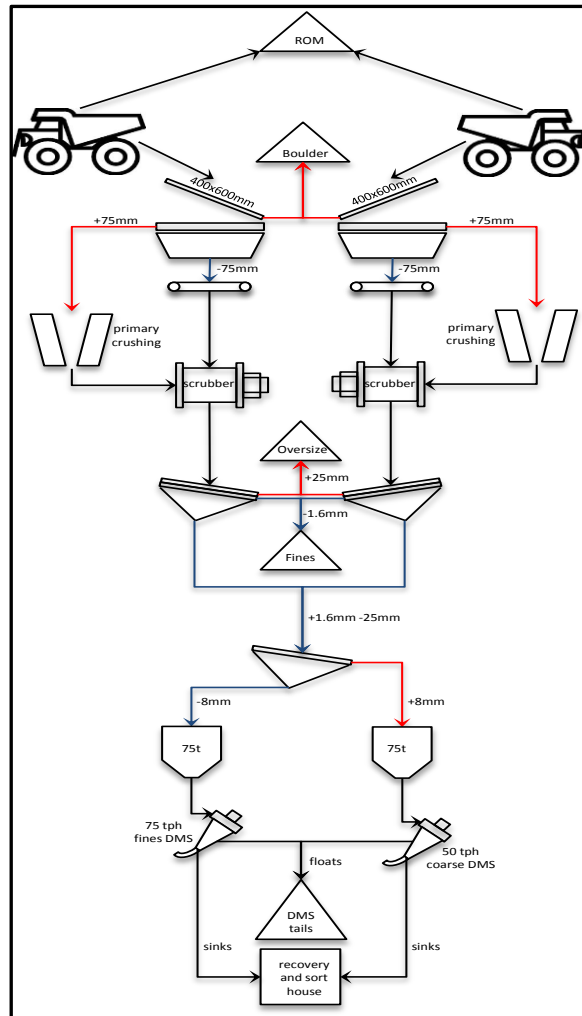


Figure 8: Process flow diagram of the BK11 mine operations

As illustrated in the diagram above, the potentially economic stockpiles that are present at BK11 include:

- ROM;
- boulder; and
- oversize.

The table below sets out the approximate volume and tonnage of each type of stockpile.

Stockpile	Volume (m ³)	Tonnage	Potential economic value
ROM SP1101 (medium grade)	21,489	44,053	Yes
Boulder	9,821	20,133	Yes
Oversize	138,947	284,842	Yes
ROM contact ore	7,123	14,602	No
ROM SP1102 (low grade)	1,041,667	2,500,000	No
ROM shale	286,512	573,024	No
Total	1,505,559	3,436,653	

Stockpiles ROM SP1101 (medium grade), boulder and oversize are considered to present potential economic value, which may be recovered if appropriate secondary and tertiary crushing circuits are installed. Stockpiles of ROM contact ore, ROM SP1102 (low grade), and ROM shale are considered to be uneconomic.

3.6. Engineering

Power was supplied to BK11 by way of diesel generators on site. However, the long-term provision of power to BK11 has been secured through a memorandum of agreement entered into between Monak and BPC on 1 November 2010 that allows BK11 to be supplied with a 33kV power line that is fed from a 33kV substation in Letlhlakane. Power to BK11 would be supplied from the Orapa substation using surplus capacity to be released by Debswana subject to Debswana's terms and conditions. Whilst all the necessary power engineering has been catered for and is in place, it is currently not connected to the substation at BK11 itself, as the mine was placed under care and maintenance prior to conclusion of the grid power supply project.

BK11 is currently supplied with seven dewatering boreholes, drilled into the sandstone aquifer below the basalt lava, within close proximity to the pit. The overall dewatering borehole yield is estimated at 240m³/hr, and was adequate for the water requirements of the BK11 mine operations prior to BK11 being placed on care and maintenance.

It is envisaged that more dewatering boreholes can be drilled around the remainder of the pit area to meet the full water requirements of the BK11 Treatment Plant, operating at an estimated full plant capacity of 125tph. Further dewatering borehole yield tests will need to be undertaken to determine the optimal level of water abstraction in order to guarantee sustainable water supply levels around the pit area.

It is worth noting that the nearby Letlhakane diamond mine which has been operating since the early 1970s has relied entirely on water supply from boreholes drilled around its pit perimeter.

3.7. Historical operating expenses and capital expenditure

The processing of ore from BK11 commenced in Q2 of the 2011 financial year, and continued uninterrupted until February 2012 when BK11 was placed under care and maintenance. A summary of the production data over this time period is disclosed in the following table:

	Units	Q2 2011 (Oct'10 – Dec'10)	Q3 2011 (Jan'11 – Mar'11)	Q4 2011 (Apr'11 – Jun'11)	Q1 2012 (Jul'11 – Sep'11)	Q2 2012 (Oct'11 – Dec'11)	Q3 2012 (Jan'12 – Mar'12)
Run of mine production							
Tonnes mined	t ('000)				760	640	70
Tonnes treated	t ('000)		119	212	190	209	76
Diamonds recovered	ct	2,805	2,508	1,812	4,597	5,313	1,796
Grade	cpht		2.11	0.85	2.42	2.54	2.37
In-situ grade	cpht		7	3	8	8	8
Sales							
Diamonds sold	ct	2,162	-	4,277	2,978	5,191	4,224
Revenue	US\$	383, 191	-	996,006	461,783	623,406	802,067
Average price per carat	US\$/ct	177	-	233	155	120	190

The Botswana Operations have an approximate tax loss as at 30 June 2013 of BWP399 million/US\$45 million. This tax loss represents a tax benefit that can be offset against future taxable income generated by the Purchaser.

3.8. Diamond value

The following table represents the results of the diamond sales tenders in respect of BK11.

Tender	Date	Carats sold	Average price (US\$/ct)
1	15 December 2010	2,162	177
2	21 April 2011 ¹	2,241	230
3	5 July 2011 ¹	2,036	235
4	14 September 2011 ²	1,549	242
5	5 December 2011 ²	6,619	107
6	12 January 2012 ³	3,032	207
7	12 March 2012 ³	1,192	148

¹The sum of carats sold at these two diamond sales tenders equates to 4,277 ct. This reconciles to the 'diamonds sold' line item for Q4 2011 as set out in the table in paragraph 3.7.

²The results of the tender announced on 14 September 2011, being 1,549 ct sold at an average price per carat of US\$242, added to the 6,619 ct sold as disclosed in the tender announced on 5 December 2011 reconcile to the sum of carats sold in Q1 and Q2 of 2012, as set out in the table in paragraph 3.7.

³The results of the tenders announced on 12 January 2012 and 12 March 2012, being 4,224 ct sold at an average price of US\$207 and US\$148 respectively, reconciles to the sum of carats sold in Q3 of 2012, as set out in the table in paragraph 3.7

Of a total of seven diamond tenders hosted by First Element Diamond Services on behalf of Firestone Diamonds, a total of 18,831ct were sold which realised revenues of US\$3,266,454. The sales values realised an average selling price of US\$173/ct.

The diamonds sold on tender were very well received by the respective buyers. The diamonds were characterised by a high percentage of very nicely shaped, white sawable and makeable crystals across all size ranges. Most notably, in December 2011, two stones of 7ct and 11ct were sold for US\$6,000/ct. These anomalously coarse high value diamonds were thought to be derived from mining a small area of the K2 kimberlite which was exposed at the bottom part of the pit.

It must be noted that the presence of +2ct white crystals was inconsistent throughout the production period of BK11, which suggests that such crystals may have been misappropriated during the recovery process.

3.9. Rehabilitation

As of the latest financial year ending 30 June 2013, the total estimated rehabilitation liability, in respect of the Botswana Operations, is approximately BWP11 million/US\$1.24 million.

3.10. BK11 Mining License

The BK11 Mining Licence confers the right upon Monak to mine diamonds in the Mining Licence Area for a period of 12 years commencing on 1 July 2010 and ending on 30 June 2022, as granted by the Republic of Botswana. Monak is required to pay a diamond royalty of 10% on the gross market value of production from BK11.

3.11. BK11 Lease Agreement

Monak has entered into the BK11 Lease Agreement with the Ngwato land board, to be used for the purposes of diamond mining, in respect of a piece of land in the Ngwato tribal area in the Letlhakane village. The BK11 Lease Agreement commenced on 6 April 2010 and shall continue for a period of 25 years. The BK11 Lease Agreement covers 357Ha of land.

4. OVERVIEW OF REMAINING ASSETS

4.1. Bulk Sampling Plant

The Bulk Sampling Plant is located in Tsabong, south-west Botswana. The operating capacity of the Bulk Sampling Plant is 5tph.

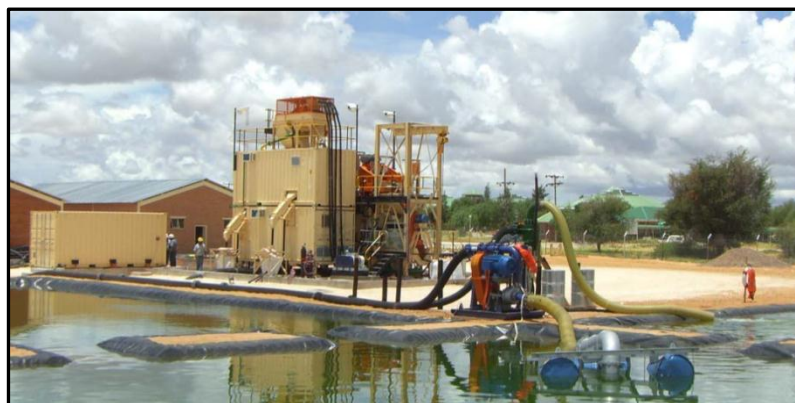


Figure 9: The Bulk Sampling Plant

4.2. BK11 Pilot Plant

The BK11 Pilot Plant is located on site at BK11. It has an operating capacity of 25tph and consists of four separate operating sections namely, the pre-treatment section, the DMS section, the final recovery plant and the services section.



Figure 10: The BK11 Pilot Plant

4.3. The Diamond Grease Recovery Plant

The “hands off” Diamond Grease Recovery Plant is located in Tsabong, south-west Botswana. The 2tph Diamond Grease Recovery Plant is mainly used for audit purposes to scavenge for diamonds from the x-ray recovery tailings.

5. OVERVIEW OF THE DIAMOND INDUSTRY¹

5.1. Introduction

The demand for high quality diamonds is driven by their use in the retail and luxury goods sectors of the global economy. Such high quality diamonds are therefore considered to be discretionary items which compete for consumer demand alongside other jewellery/luxury products. A consistent demand for diamonds has been created through their symbolism of love and eternity, and has therefore been entrenched in society for centuries. A solid foundation for diamond demand can be found in mature markets such as the United States, Japan and Europe and to a growing extent in emerging markets such as China, India, Turkey and the Middle East.

The diamond industry has been volatile since the global financial crisis of 2008. Diamond prices plummeted in 2008 and 2009, only to rebound to reach historically high levels in 2010 and 2011. The market has shown signs of improvement through 2013 and market participants have observed encouraging trends in the United States, China, and India and overall growth is moving back in line with long term trends. Rough diamond prices, from 2008 through the first half of 2013, have increased at a compound annual rate of 13%.

The general long-term view of the rough diamond market is positive, primarily due to inherent production constraints which suggest that supply will struggle to keep pace with demand. Many of the world's largest diamond mines are now past their peak production rate, with some undergoing an open-pit to underground transition. There are few major new mines of significant size to compensate for this declining production trend. While exploration techniques have improved, there remains a low probability of success in finding large scale economic kimberlite mines. In addition, rising global prosperity and growth in consumption from emerging economies suggest that demand will continue to rise.

5.2. Supply and demand dynamics

Over the last few years, demand and supply reached a condition of rough balance. In the medium to long-term existing mine diamond resources are expected to deplete, and this, along with the limited number of new diamond entrants into the market, is expected to result in a decrease in rough diamonds supplied to the market. At the same time however demand is expected to sustain its upward growth trajectory, fuelled by rising economic prosperity in emerging markets. The growth of demand in excess of supply results in this positive long-term outlook for the rough diamond market.

A key characteristic of diamond deposits is their scarcity, in contrast to many other commodities, and there are currently a limited number of commercially viable diamond mines operating in the world today. To date the most important diamond deposit discoveries have clustered into Southern Africa, Russia, Australia and Canada.

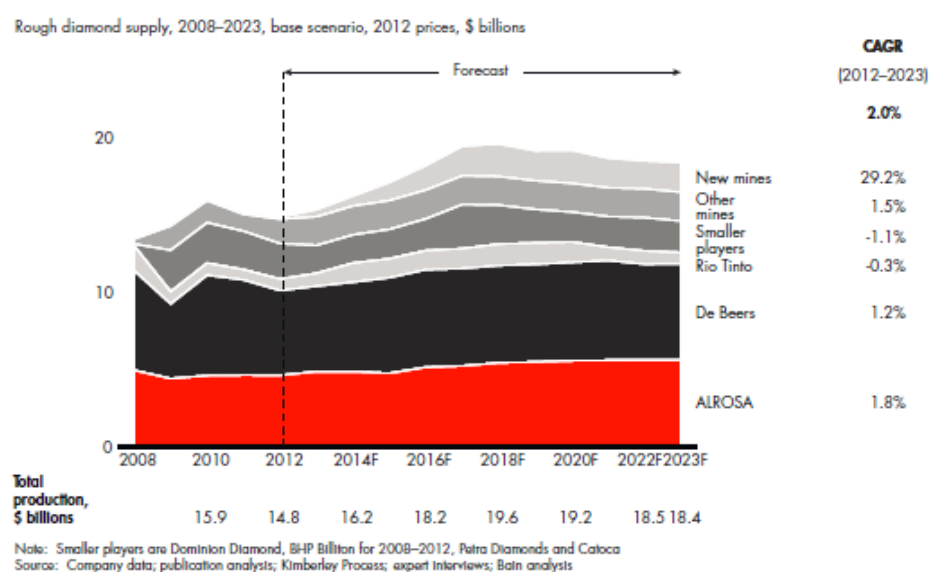
¹ Source: Bain & Company, The Global Diamond Report 2013

Successful diamond exploration remains challenging and historically an insignificant number of explorations that have been undertaken have resulted in economic success. Despite a high level of diamond exploration activity over the last few decades, there have been no major new hardrock discoveries since the discovery of Diavik and Ekati in Canada in the early 1990s.

Even if there are some important new exploration successes to counteract the declining supply trend, new diamond mines are costly to build and the lead time from the announcement of the discovery of a major new resource to full production is approximately eight years (sometimes even longer depending on the geographical location of the new discovery).

In addition to the difficulty in finding new sources of supply, the majority of the world's major diamond mines have been in operation for decades and are now generally in decline as mines progress deeper, thereby making it difficult to maintain previous high levels of output. In certain instances, open pit operations are having to move underground, which naturally limits the volumes which can be extracted from the ore body. In order to extend the lives of these assets, major capital expenditure and development programmes are required. Whilst certain new mines are coming on stream in the next few years, more specifically the Gahcho Kue mine in Canada's Northwest Territories (which is expected to produce up to 6.1 million carats annually for 11 years), demand is still expected to outstrip supply.

It must also be noted that rough diamond producers reacted to falling prices by cutting planned output, and further technical problems experienced at certain mines also curtailed production. As a result total diamond output in 2012, as measured by carats, increased by a modest 4% to 128 million carats. Current production levels are still well below the pre financial crisis levels of 160 million. The diagram below illustrates the relatively flat forecast supply of rough diamonds.

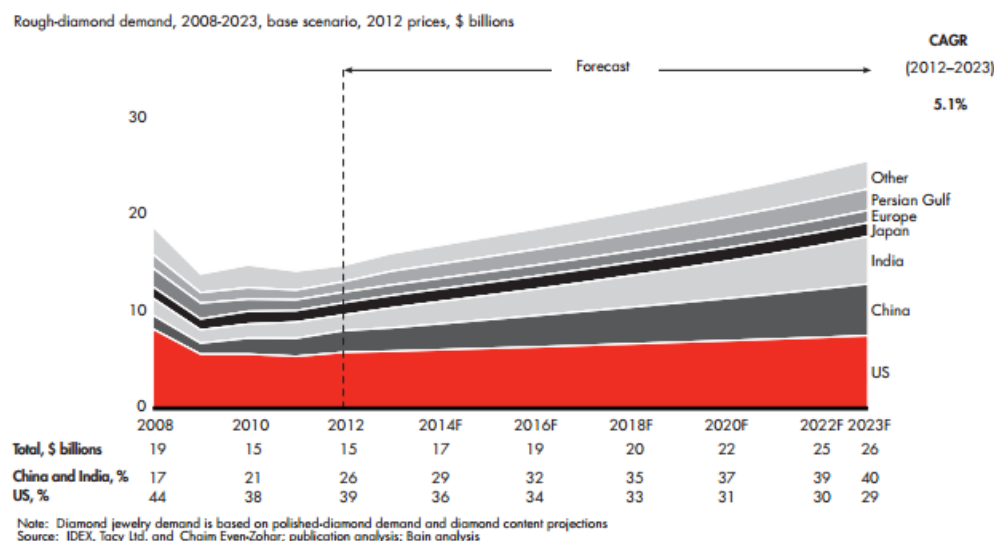


The diagram above indicates that rough diamond production, based on value, will grow at a compounded annual growth rate of 2% from 2014 until 2023.

As mentioned above, the demand for diamonds is expected to maintain its upward trajectory. This upward trend is specifically driven by the following factors:

- **Macroeconomic Factors:** Economic momentum and improved GDP growth forecasts, especially in the United States and Europe, is expected to lead to increased personal disposable income which in turn will lead to increased wealth and the resultant increase in demand for diamond jewellery.
- **Social Factors:** Global population growth and the expanding middle class in emerging markets is expected to expand the number of potential buyers of diamond jewellery, as diamond jewellery is much more prevalent in affluent segments of society and such affluent segments tend to purchase more expensive diamond jewellery.
- **Country Specific Preferences:** The increasing adoption of the western world's traditions e.g. diamond engagement rings and the use of diamonds as gifts is expected to create additional purchase considerations.
- **Trade:** Leading jewellery chains are expanding which in turn is expected to result in an increase in supply footprint and this will in turn stimulate additional demand for diamonds.

The factors highlighted above have resulted in a positive outlook for the diamond market, with high demand growth expected to continue in China, India, Japan and Europe in the years to come as indicated in the following diagram.



6. INVITATION TO PARTICIPATE IN THE PROCESS

6.1. Background

Firestone Diamonds has taken the decision to initiate a disposal process in respect of the Botswana Operations, and selected bids in relation to the Botswana Operations will be considered.

6.2. Invitation for offers

All communications, enquiries and requests for information relating to the Transaction should be addressed to Questco, which has been mandated to act on behalf of Firestone Diamonds in respect of the Process. Written communication is preferred and **under no circumstances should the management or employees of Firestone Diamonds be contacted directly.**

All correspondence and enquiries should be marked “**BK11 – Expression of Interest**”, and directed for the attention of **both**:

David Austen

Tel No: +27(11) 011 9203

E-mail: david.austen@questco.co.za

Anthony Ledeboer

Tel No: +27(11) 011 9201

E-mail: anthony.ledeboer@questco.co.za

or hand delivered to the following address:

Questco (Pty) Limited

2nd Floor, Block D

The Pivot

1 Montecasino Boulevard

Fourways, 2055

South Africa

The information provided by Interested Parties in their Credentials Questionnaire will be assessed and ranked according to specific selection criteria set upfront by Firestone Diamonds and Questco. These selection criteria include, *inter alia*:

- technical track record;
- approach to employment, health and safety and environmental management;
- acquisition value; and
- access to required funding.

Questco will recommend the Interested Parties to Firestone Diamonds that best meet the above selection criteria. Only those Interested Parties, being the Pre-qualified Bidders selected by Firestone Diamonds, at its sole and absolute discretion, against these above mentioned selection criteria will progress to the next stage of the Process where they will receive the IM.

Should any Recipient, or advisor to any Recipient, make direct contact with Firestone Diamonds or their respective management or employees in connection with the Process (as opposed to through Questco), Firestone Diamonds reserves the right to terminate all discussions with such Recipient and to terminate its further participation in the Process.

7. THE PROCESS AND TIMETABLE

Firestone Diamonds has requested that a structured process be followed in making information available to Interested Parties, as well as in inviting and considering bids which may be made by such Interested Parties. The Process is outlined below.

7.1. Expression of interest

Firestone Diamonds has approached certain potential Interested Parties directly, made an announcement on AIM, placed an advertisement in the 17 August 2014 issue of Botswana's Sunday Standard and placed relevant information on its website inviting Interested Parties to request and complete the Confidentiality Undertaking and answer the Credentials Questionnaire in order to be considered to participate in the next stage of the Process.

Interested Parties are invited to confirm their interest in participating in the Process by executing the required Confidentiality Undertaking (Appendix A) in favour of Firestone Diamonds and completing the Credentials Questionnaire (Appendix B) and emailing these completed documents to david.austen@questco.co.za and anthony.ledeboer@questco.co.za or hand delivering the documents to Questco at the address in paragraph 6.2 by no later than 17:00 GMT/ 19:00 CAT on Friday 29 August 2014.

Interested Parties who do not submit the Confidentiality Undertaking and Credentials Questionnaire by 17:00 GMT/ 19:00 CAT on Friday 29 August 2014 may not be considered for the next stage of the Process.

Firestone Diamonds, with the assistance of Questco, will evaluate each Confidentiality Undertaking and Credentials Questionnaire received and identify, in its sole and absolute discretion, the Pre-qualified Bidders who will be selected to receive the IM. Interested Parties not identified as Pre-qualified Bidders will be notified accordingly in writing by Questco and their further participation in the Process will terminate, with no obligation to Firestone Diamonds or Questco.

Notwithstanding anything to the contrary contained in this Document, Firestone Diamonds reserves the right in its sole and absolute discretion not to furnish to any person the IM, irrespective of whether such person has executed the Confidentiality Undertaking and/or the Credentials Questionnaire. Neither Firestone Diamonds nor Questco will be obliged to furnish reasons to any Interested Party who is not selected to receive the IM.

7.2. Information Memorandum

Firestone Diamonds and Questco are in the process of preparing the IM. The IM is being prepared solely for information purposes in connection with the Transaction and will contain confidential information relating to the Botswana Operations and more detail on the Process.

The IM will be distributed to Pre-qualified Bidders on Monday, 8 September 2014. By providing the IM to Pre-qualified Bidders, neither Firestone Diamonds nor Questco undertakes to provide any Pre-qualified Bidders with access to additional information, nor to update the IM or such additional information provided at any time to a Pre-qualified Bidder.

It is expressly recorded that the IM does not constitute an offer for sale of the Botswana Operations, and Firestone Diamonds will have no obligation to consider or to accept any Indicative Bid submitted by any Pre-qualified Bidder(s) on the basis thereof.

Law may restrict the distribution of the IM in certain jurisdictions. Therefore, in executing and returning the Confidentiality Undertaking and completing and submitting the Credentials Questionnaire, Recipients of this Document represent that they are able to receive and respond to both this Document and the IM without contravening any unfulfilled registration or other legal restrictions in the jurisdiction in which they reside or conduct business.

7.3. Indicative Bids

Pre-qualified Bidders will be invited to submit Indicative Bids in respect of the Transaction by 17h00 GMT/ 19h00 CAT on Friday, 10 October 2014. Where considered necessary or appropriate by Firestone Diamonds, Questco may seek clarity regarding the content of any Indicative Bids received from Pre-qualified Bidders.

In assessing the Indicative Bids, Firestone Diamonds and Questco will consider, *inter alia*, the following:

- the total purchase consideration for the Firestone Diamonds Interest **AND** for the Combined Interest as set out in paragraph 2;
- the form of the consideration offered (preference will be given to cash);
- if the purchase price is not in cash, when and how the consideration will be converted to cash;
- an estimate of the quantum of capital and working capital required to bring the Botswana Operations into production;
- the financial resources of the Pre-qualified Bidder, with particular reference to its ability to fund the abovementioned capital, working capital and the purchase consideration;
- in the event and to the extent that the Pre-qualified Bidder requires external finance, the strength of the commitments made to the Pre-qualified Bidder from its financiers (in this regard, direct submissions from such financiers are required);

- the Pre-qualified Bidder's ability to conclude the Process in a timely manner; and
- health and safety track record of the Pre-qualified Bidder.

Firestone Diamonds reserves the right to call for unconditional bank guarantees or deposits from Pre-qualified Bidders as part of their Indicative Bid submissions or at any other stage of the Process.

The Indicative Bids for the Botswana Operations should accordingly contain sufficient information to allow Questco to assess the Indicative Bids in terms of the above.

Firestone Diamonds, with the assistance of Questco, will evaluate each Indicative Bid received and identify, in its sole and absolute discretion, the Pre-qualified Bidders ("Finalists") who will be selected to proceed to the next stage of the Process, namely the Due Diligence stage. Pre-qualified Bidders not identified as Finalists will be notified accordingly in writing by Questco and their further participation in the Process will terminate, with no obligation to Firestone Diamonds or Questco.

Notwithstanding anything to the contrary contained in this Document, Firestone Diamonds reserves the right in its sole and absolute discretion not to invite any Pre-qualified Bidder to participate in the Due Diligence stage of the Process. Neither Firestone Diamonds nor Questco will be obliged to furnish reasons to any Pre-qualified Bidder who is not selected to participate in the Due Diligence stage of the Process.

7.4. Due Diligence

Following the consideration of each Indicative Bid, Finalists who have submitted Indicative Bids which, at Firestone Diamonds' sole and absolute discretion are in principle acceptable to it, will commence with a confirmatory due diligence. The date on which the Due Diligence stage will commence will be confirmed in documentation accompanying the IM. The Due Diligence stage will give the Finalists the opportunity to partake in site visits and interviews with Firestone Diamonds management.

A Draft Sale Agreement and any other relevant agreements will be distributed to Finalists during the Due Diligence stage.

During this period, the Finalists and/or their advisers, agents or representatives may visit the Botswana Operations on pre-arranged dates at pre-arranged times and under supervised conditions, in order to conduct an inspection of the Botswana Operations. The Finalists will also have controlled access to management and/or senior technical personnel of Firestone Diamonds.

In addition, Finalists will be provided electronic copies of relevant documents supporting information provided in the IM.

Neither Firestone Diamonds nor Questco will be liable for any costs incurred by any Finalists arising from, relating to and/or in connection with their Due Diligence investigations.

7.5. Final Binding Bid

Each Finalist will have the opportunity after the Due Diligence stage to submit a Final Binding Bid to Firestone Diamonds in respect of the Transaction. The Final Binding Bid is to be fully funded to the satisfaction of Firestone Diamonds, including marked-up comments on the Draft Sale Agreement and any other relevant agreements.

The extent to which the Draft Sale Agreement and any other relevant agreements are marked-up by each Finalist will be taken into consideration in assessing each Finalist's Final Binding Bid.

Firestone Diamonds would not expect such Final Binding Bid by a Finalist to deviate materially from its Indicative Bid in the absence of any material misstatement or omission in connection with the information disclosed and/or provided in the course of the Process.

Firestone Diamonds and Questco would expect the Final Binding Bid, once submitted, to be expressed in terms which are and will remain binding on the Finalist, and to remain open for acceptance by Firestone Diamonds on the terms set out therein, until superseded and replaced in its entirety on execution of the Definitive Agreement by the parties thereto. In addition, Firestone Diamonds and Questco would expect Finalists to have obtained board approval for their Final Binding Bid (where necessary).

Firestone Diamonds, with the assistance of Questco, will evaluate each Final Binding Bid received and identify, in its sole and absolute discretion, the Finalist(s) ("Preferred Finalist(s)") who will be selected to proceed to the next stage of the Process, namely the Negotiations stage. Finalists not identified as Preferred Finalist(s) will be notified accordingly in writing by Questco and their further participation in the Process will terminate, with no obligation to Firestone Diamonds or Questco.

Notwithstanding anything to the contrary contained in this Document, Firestone Diamonds reserves the right at its sole and absolute discretion not to invite any Finalist to proceed to the Negotiations stage of the Process. Neither Firestone Diamonds nor Questco will be obliged to furnish reasons to any Finalist who is not selected to proceed to the Negotiations stage.

7.6. Negotiations

Following consideration of each Final Binding Bid, Firestone Diamonds proposes to enter into Negotiations with the Preferred Finalist(s) who have submitted Final Binding Bids which, at Firestone Diamonds' sole and absolute discretion, are in principle acceptable to it, with a view to negotiating and agreeing the detailed terms and conditions of the Definitive Agreement.

Unless otherwise expressly agreed in writing between the parties prior to commencement of such Negotiations, Firestone Diamonds will be entitled at any time to terminate Negotiations with any Preferred Finalist, or to enter into Negotiations with any other person, who may or may not be a Preferred Finalist, in respect of the Transaction.

7.7. Definitive Agreement

Upon the successful completion of the Negotiations, the complete terms and conditions applicable to the Transaction, as set out and contained in the Definitive Agreement negotiated between Firestone Diamonds and such Preferred Finalist, will be executed by the parties thereto.

Each Preferred Finalist, as the case may be, will be solely responsible for the appointment and costs of its own professional advisers with regard to the Negotiation, drafting, execution and implementation of the Definitive Agreement, save as otherwise expressly set out in the Definitive Agreement.

7.8. Timetable

Whilst Firestone Diamonds recognises that Recipients and/or Interested Parties, as the case may be, may require additional time to assimilate the information provided and if applicable to complete the Credentials Questionnaire and Confidentiality Undertaking, and to formulate their Indicative Bids, Firestone Diamonds wishes to complete the Process in as short a period as possible.

Recipients and Interested Parties are therefore requested to note the preliminary timetable of the proposed target dates set out below. Firestone Diamonds and Questco reserve the right in their sole and absolute discretion to change the target date of all or each distinct stage in the Process specified in the following timetable.

Activity	Date (2014)
Submission of signed Confidentiality Undertaking and completed Credentials Questionnaire	29 August by 19h00 CAT
Distribution of IM to Pre-qualified Bidders	8 September
Indicative Bids submitted	10 October by 19h00 CAT
Notify Finalists and unsuccessful Pre-qualified Bidders	As soon as possible thereafter
Due Diligence stage, including site visits, to commence	
Final Binding Bids submitted	
Notify Preferred Finalists and unsuccessful Finalists	
Negotiations entered into	
Definitive Agreement signed	

8. DEFINITIONS, ABBREVIATIONS AND UNITS

8.1. Definitions

“BK11”	BK11 mining operations owned and managed by Firestone Botswana and Monak;
“BK11 Assets”	all assets owned by Firestone Botswana and Monak, excluding the Remaining Assets;
“BK11 Lease Agreement”	the lease agreement entered into on 6 April 2010, between Monak (lessee) and the Ngwato tribal area land board (lessor), in respect of the land on which BK11 is situated, for a duration of 25 years and more fully described in paragraph 3.11;
“BK11 Mining Licence”	mining licence number 2010/59L granted to Monak to mine diamonds in the Mining Licence Area for a period of 12 years, commencing on 1 July 2010 and ending on 30 June 2022, in terms of prospecting licence number PL33/2007 and more fully described in paragraph 3.10;
“BK 11 Operating Assets”	all assets owned by Firestone Botswana, excluding the Remaining Assets and the BK11 Treatment Plant;
“BK11 Pilot Plant”	the pilot plant located at BK11 and more fully described in paragraph 4.2;
“BK11 Treatment Plant”	the main treatment plant located at BK11 and more fully described in paragraph 3.5;
“boart”	industrial quality diamonds and/or diamonds of negligible value;
“Botswana Operations”	the shares and claims in Firestone Botswana and Monak, as more fully described in paragraph 2 of this Document;

“Botswana Partners”	Tema Thou (Proprietary) Limited (Registration number Co 1985/252), a private company duly incorporated in the Republic of Botswana, that owns 10% of the equity in Monak;
“Botswana Partners Interest”	the shares and claims held by the Botswana Partners in Monak;
“Bulk Sampling Plant”	the 25tph bulk sampling plant located at Tsabong and more fully described in paragraph 4.1;
“Combined Interest”	the aggregate of the Firestone Diamonds Interest and the Botswana Partners Interest;
“Confidentiality Undertaking”	the confidentiality undertaking in favour of Firestone Diamonds required to be furnished by each Interested Party in the form set out in Appendix A;
“Credentials Questionnaire”	the questionnaire included as Appendix B and required to be furnished, in addition to the Confidentiality Undertaking, by each Interested Party in the form set out in Appendix B;
“Debswana”	Debswana Diamond Company Proprietary Limited;
“Definitive Agreement”	the definitive sale agreement to be negotiated between Firestone Diamonds and the Purchaser in respect of the Transaction;
“Diamond Grease Recovery Plant”	the 2tph diamond grease recovery plant located at Tsabong, and more fully described in paragraph 4.3;
“Document”	this request for expression of interest document, including the Credentials Questionnaire and Confidentiality Undertaking, and dated 14 August 2014;

“Draft Sale Agreement”	the draft sale agreement provided to Finalists in the Due Diligence stage;
“Due Diligence”	the stage in the Process whereby Finalists will be invited to perform a confirmatory due diligence investigation and attend a site visit and data room session;
“Eastern Zone”	the eastern side of the BK11 kimberlite pipe;
“Finalist”	a Pre-qualified Bidder whose Indicative Bid is accepted by Firestone Diamonds for purposes of proceeding to the Due Diligence stage of the Process;
“Final Binding Bid”	the fully funded firm final binding bid by a Finalist to acquire the Botswana Operations including marked up comments on the Draft Sale Agreement and any other relevant agreements, as contemplated in paragraph 7.5;
“Firestone Botswana”	Firestone Diamonds Botswana Proprietary Limited (Registration number Co 2005/4318), a private company duly incorporated in accordance with the laws of Botswana and wholly owned by Firestone Diamonds;
“Firestone Diamonds” or “ the Company”	Firestone Diamonds Limited (Registration number 187191), a private company duly incorporated in the British Virgin Islands and a 100% owned subsidiary of Firestone Diamonds plc;
“Firestone Diamonds Interest”	the shares and claims held by Firestone Diamonds in both Firestone Botswana and Monak;
“Firestone Diamonds plc”	Firestone Diamonds plc (Registration number 3589905), a public company duly incorporated in accordance with the laws of the United Kingdom;

“Group”	Firestone Diamonds plc and any of its subsidiaries, associates, joint venture companies, whether directly or indirectly held by Firestone Diamonds plc;
“IM”	confidential information memorandum prepared by Firestone Diamonds and Questco in respect of the Transaction, to be provided to Pre-qualified Bidders;
“Indicative Bid”	the non-binding indicative bid submitted by a Pre-qualified Bidder to acquire the Botswana Operations as contemplated in paragraph 7.3;
“Interested Party”	person who has expressed an interest in participating further in the Process by executing the signed Confidentiality Undertaking in favour of Firestone Diamonds and completing the Credentials Questionnaire;
“K1”	thin veneer of up to, on average, 4m of Kalahari sands and then gradational calcrete/silcrete units covering the BK11 kimberlite pipe;
“K2” and “K3”	layer of kimberlite, below K1, that is comprised mainly of volcanoclastic deposits and talus slope deposits, commonly known as country rock breccia, closer to the crater walls;
“K4”	layer of kimberlite below K3, being a rather less-well delineated “neck” of more massive volcanoclastic kimberlite and basalt breccia;
“Liqhobong”	Liqhobong mining operations in Lesotho that are operated by Firestone Diamonds plc;
“Mining Licence Area”	the area on which the BK11 mine is situated;
“Monak”	Monak Ventures Proprietary Limited (Registration number Co 2006/1486), a private company duly incorporated in accordance with the laws of Botswana, and held as a 90% subsidiary of

	Firestone Diamonds and 10% by the Botswana Partners;
"Negotiations"	the stage in the Process whereby the Preferred Finalist(s) will enter into negotiations with Firestone Diamonds as contemplated in paragraph 7.6;
"Preferred Finalist(s)"	the Finalist(s) whose Final Binding Bid is accepted by Firestone Diamonds for the purposes of proceeding to the Negotiations stage of the Process;
"Pre-qualified Bidder"	an Interested Party who is selected to receive the IM;
"Process"	the processes and procedures specified in this Document in connection with the Transaction;
"Purchaser(s)"	the person or persons who acquire the Botswana Operations in terms of the Definitive Agreement;
"Questco"	Questco Proprietary Limited (Registration number 2002/005616/07), a private company duly incorporated in accordance with the laws of RSA;
"Recipient(s)"	the persons to whom this Document has been provided to by Questco and/or Firestone Diamonds and/or accessed from the Firestone Diamonds plc website;
"Remaining Assets"	collectively the Bulk Sampling Plant, the Diamond Grease Recovery Plant and the BK11 Pilot Plant;
"Resource Statement"	the resource statement of BK11 dated 26 November 2009 as disclosed in paragraph 3.4 of this Document;
"Transaction"	the transaction contemplated herein in connection with the disposal of the Botswana Operations to the Purchaser; and

“Western Zone”

the western side of the BK11 kimberlite pipe.

8.2. Abbreviations

“ADT”

articulated dump truck;

“AIM”

Alternative Investment Market, being a sub-market of the London Stock Exchange;

“BPC”

Botswana Power Corporation;

“BWP”

Botswana Pula;

“CAT”

Central African Time;

“DMS”

dense media separation;

“GDP”

gross domestic product;

“GMT”

Greenwich mean time;

“LDD”

large diameter drilling;

“RSA”

Republic of South Africa;

“SAMREC”

South African Mining and Resource Committee;

“SFD”

size frequency distribution; and

“US\$”

United States dollars.

8.3. Units

“cpht”

carats per hundred tonnes;

“ct”

carat;

“Ha”

hectares;

“kV”	kilo volt;
“km”	kilometres;
“km ² ”	square kilometre(s);
“m”	metres;
“m ³ ”	cubic metres;
“m ³ /hr”	cubic metres per hour;
“mm”	millimetres;
“mt”	million tonnes;
“t”	tonne; and
“tph”	tonnes per hour.

APPENDIX A: CONFIDENTIALITY UNDERTAKING

THIS AGREEMENT (the "Agreement") IS DATED _____, 2014 and is entered into

BETWEEN: _____

[Insert Company Name]

with its registered address at: _____

("the Company")

AND: FIRESTONE DIAMONDS LIMITED

with its registered address at: The Triangle, 5-17 Hammersmith Grove, London, W6 OLG

("Firestone Diamonds")

each a "Party" and together, the "Parties".

WHEREAS:

- A) Firestone Diamonds has invited expressions of interest in relation to the potential sales of the Botswana Operations (the "Transaction").
- B) Firestone Diamonds may in the course of discussions around the Transaction disclose, cause or permit to be disclosed to the Company, either orally or in writing, proprietary and/or confidential information belonging to Firestone Diamonds or to its Affiliates which it has a right to disclose.
- C) Owing to the sensitive and confidential nature of the aforesaid information, Firestone Diamonds wishes to protect the confidentiality of such information in the manner set out in this Agreement.

NOW THEREFORE and in consideration of the undertakings contained herein, the Parties agree as follows:

1. Definitions

In this Agreement and unless expressly stated otherwise the expression:

1.1 "Affiliate" means:

- a) a body corporate which directly or indirectly controls, is controlled by or is controlled by an entity which controls a Party (for the purposes of this clause 1 (a), one body corporate controls another when at the relevant time it owns either directly or indirectly not less than 50% of the shares entitled to vote at general meetings of that other body corporate);
- b) for the purposes of this Agreement only, Firestone Diamonds Botswana (Pty) Ltd, being a wholly owned subsidiary of Firestone Diamonds; and
- c) for the purposes of this Agreement only, Monak Ventures (Pty) Ltd being a 90% held subsidiary of Firestone Diamonds.

1.2 "Botswana Operations" means the mining operations to which this Agreement and the Transaction is subject.

1.3 "Confidential Information" means, subject to Clause 4 below:

- a) all or any part of any information of whatever nature relating to (A) the business, operations, finances, plans or customers of Firestone Diamonds (or any of its Affiliates); or (B) the Transaction including the fact that this Agreement has been executed and that discussions or negotiations are taking place or have taken place between the Parties, that is disclosed (whether before or after the date of this Agreement and whether in writing, verbally or by any other means) directly or indirectly by Firestone Diamonds or by another person on behalf of Firestone Diamonds to the Company or to another person on behalf of the Company including, without limitation, any information relating to the Permitted Purpose or to Firestone Diamonds and/or its Affiliates' products, operations, processes, plans or intentions, product information, know-how, design rights, trade secrets, market opportunities and business affairs;
- b) any information obtained by the Company (its agents or advisors), in writing or orally, through discussions with the management, employees and advisors of Firestone Diamonds;
- c) any information acquired by the Company (or its agents or advisors) at the offices or other premises of Firestone Diamonds or its Affiliates or representatives related to the Transaction or to the affairs of Firestone Diamonds or its Affiliates; and

- d) any reports, analyses, compilations, studies or other documents prepared by the Company or on its behalf which contain or otherwise reflect any information set out in sub-Clauses (a), (b) or (c).

1.4 "Permitted Purpose" means in connection with and for the purpose of assessing the value of Firestone Diamonds interests in the Botswana Operations, and facilitating the evaluation of the Transaction by the Company, and not for any other purpose whatsoever.

2. Treatment of Confidential Information

- 2.1. From the date of this Agreement, all Confidential Information and the rights thereto shall be held and treated by the Company as the exclusive property of Firestone Diamonds and, if applicable, of the Affiliate of Firestone Diamonds that owns or has provided the Confidential Information. The Company agrees that it has no right, title or interest in the Confidential Information other than the rights of use granted by this Agreement.
- 2.2. The Company will not use the Confidential Information for any purpose other than for the Permitted Purpose.
- 2.3. The Company shall not copy the Confidential Information without the prior written approval of Firestone Diamonds, except for copies reasonably required by the Company for its internal use and for its external advisors as stated in Clause 3 below.
- 2.4. The Company shall protect the Confidential Information from disclosure exercising no lesser security measures and degree of care than those which it applies to its own Confidential Information.
- 2.5. The Parties acknowledge and agree that where Confidential Information is disclosed which belongs to or is provided by an Affiliate of Firestone Diamonds, such Affiliate shall be entitled to the benefit of the provisions of this Agreement as against the Company to the same extent as if it had been a party hereto.
- 2.6. This Agreement shall not constitute any transfer or grant of titles, rights, intellectual property rights or licences from Firestone Diamonds to the Company and Firestone Diamonds shall be entitled at any time to decline to provide or to continue to provide any Confidential Information to the Company without incurring any liability whatsoever.

3. Disclosure of Confidential Information

3.1. The Company may only disclose Confidential Information:

- a) with the prior written consent of Firestone Diamonds;
- b) to its and its Affiliates' officers, directors, and employees to the extent that disclosure is necessary to assist with the Permitted Purpose;
- c) to its professional advisors to the extent that disclosure is necessary to assist with the Permitted Purpose;
- d) to its third party consultants to the extent that disclosure is necessary to assist with the Permitted Purpose; or
- e) where, in the written opinion of its legal counsel, disclosure is required by applicable law, by a court of competent jurisdiction or by another regulatory body with jurisdiction over the Company, provided that prior to any such disclosure the Company will first provide Firestone Diamonds with prompt written notice so that Firestone Diamonds may, in its discretion, seek a protective order or other appropriate remedy and otherwise comply with the provisions of this Clause 3.1(e). In the event that such protective order or other remedy is not obtained, the Company shall (i) consult with Firestone Diamonds in advance with respect to any such disclosure, (ii) disclose only that portion of the Confidential Information that it is legally required to disclose, and (iii) exercise its commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded to such Confidential Information. If such advance notice is not reasonably practicable or legally permitted, to the extent permitted by applicable law, the Company shall provide Firestone Diamonds with a copy of any written disclosure made by the Company as soon as practicable thereafter.

3.2. Prior to making any disclosure to persons under sub-Clause 3.1(b) to (d) inclusive, the Company shall ensure that each such person or entity is both informed of the provisions of this Agreement and agrees to be bound by its terms.

3.3. The Company shall cause each person or entity to whom the Company is permitted to disclose Confidential Information as set out in sub-Clauses 3.1(a) to (d) inclusive to comply with the undertakings of the Company hereunder and shall be responsible and liable for any breach of the terms of this Agreement by any such person or entity to whom disclosure of Confidential Information is made pursuant to this Agreement.

- 3.4. The Company shall at the request of Firestone Diamonds and at its own expense take such reasonable steps, as Firestone Diamonds may require, enforcing the obligations of recipients of Confidential Information hereunder including (where necessary) the institution and pursuit of legal proceedings.
- 3.5. The Company must inform Firestone Diamonds immediately if it becomes aware or suspects that there has been a breach of its obligations under this Agreement.

4. Exceptions

4.1. The term Confidential Information does not include any information which:

- a) the Company can show by its written or other records was already lawfully known by the Company without restriction prior to receipt from Firestone Diamonds; or
- b) at the time of its disclosure to the Company is, or after disclosure to the Company becomes, generally known to the public without direct or indirect breach of this Agreement or any other confidentiality undertakings; or
- c) is lawfully received from a third party which third party has the unrestricted right to make such disclosure to the Company and without direct or indirect breach of this Agreement or any other confidentiality undertakings; or
- d) the Company can show by its written or other records is independently developed by the Company without reference to the Confidential Information and without direct or indirect breach of this Agreement or other confidentiality undertakings.

4.2. If only a portion of any Confidential Information falls under one or more of the exceptions set out in sub-Clauses 4.1(a) to (d) inclusive above, the remaining Confidential Information shall continue to be subject to the prohibitions and restrictions set out in this Agreement.

5. No Representation

Firestone Diamonds does not accept responsibility for and makes no representation or warranty, express or implied, with respect to the truth, accuracy, completeness or reasonableness of the Confidential Information. Firestone Diamonds shall not be liable to the Company or any other person in respect of or resulting directly or indirectly from the Confidential Information or its use (or the results of such use) or misuse, save as may otherwise be agreed in writing between them. Firestone Diamonds shall have no obligation to prepare any new Confidential Information or to complete, revise or update any Confidential Information.

6. Third Parties

During the term of this Agreement, without the prior written consent of Firestone Diamonds, the Company shall not, nor shall it permit any person to whom disclosure is made pursuant to sub-Clause 3.1(b) to (d) inclusive to, directly or indirectly, solicit, initiate, or engage in any discussions or negotiations, or enter into any arrangement, commitment or understanding with any of Firestone Diamonds or their Affiliates, or their respective officers, directors, employees, agents or representatives, relating in any manner to the Botswana Operations.

7. Term and Termination

7.1. This Agreement shall commence on the date of this Agreement and shall continue in full force and effect until the earlier of:

- a) the Parties entering into one or more agreements comprising the Transaction; or
- b) the date falling three (3) years from the date of this Agreement.

7.2. Upon receipt of a written request from Firestone Diamonds to do so, the Company shall immediately cease all further use of the Confidential Information and at its own expense shall within fourteen days of the receipt of such written request (i) return to Firestone Diamonds all written and printed material to the extent containing any of the Confidential Information, including copies of reproductions of such documents (ii) destroy or cause to be destroyed the Confidential Information described in sub-Clause 4.1 (d) above, and (iii) to the extent possible, erase all Confidential Information from any electronic, magnetic or other storage device, in each case where such Confidential Information is in the possession, power or control of the Company, its Affiliates or any of their respective officers, directors, employees, agents or advisors. If so required by Firestone Diamonds, the Company shall provide the written confirmation of a representative of the Company that such actions have been taken as may be necessary to ensure the return, destruction or erasure (to the extent possible) of the Confidential Information.

7.3. This Clause shall not apply to corporate documents of the Company, which contain Confidential Information and which the Company is required to retain by applicable law or for auditing purposes or which is reflected in material presented to its or any of its Affiliates' executive board(s) (or the equivalent thereof), in which case, the Company will take appropriate measures to preserve its confidentiality and the terms of this Agreement shall continue to apply thereto.

7.4. Termination or expiry of this Agreement shall not affect any accrued rights or remedies to which a Party is entitled.

8. Announcements

8.1. No announcement concerning the fact that this Agreement has been executed, the subject matter of this Agreement, the Transaction or any ancillary matter shall be made by any Party without the prior written approval of the other Party, except as contemplated below.

8.2. To the extent that a disclosure or announcement of the type referred to in Clause 8.1 is required by applicable law, regulation, by a rule of a stock exchange on which a Party's shares (or those of any of its Affiliates) are listed or traded or by a governmental authority or other authority with relevant powers, the disclosure or announcement shall be made after consultation with the other Party and after taking into account the other Party's reasonable requirements as to its timing, content and manner of making or despatch. If such advance consultation is not reasonably practicable or legally permitted, to the extent permitted by applicable law, the disclosing party shall provide the other party with a copy of any written disclosure made by such disclosing party as soon as practicable thereafter.

9. Remedies

The Company acknowledges and agrees that damages may not be an adequate remedy for any breach by the Company of the provisions of this Agreement. Firestone Diamonds will be entitled to seek the remedies of interdict, injunction and/or specific performance (or their equivalent in any other jurisdiction) for any threatened or actual breach of the provisions of this Agreement by the Company, including its directors, officers, employees, Affiliates, lawyers, accountants, bankers and other professional advisors.

10. Assignment

Neither of the Parties shall be entitled to assign its rights or obligations under this Agreement (except by operation of law in the case of merger, consolidation or amalgamation) without the prior written consent of the other Party in its absolute discretion.

11. General

11.1. This Agreement shall be binding upon and inure to the benefit of the Parties, their respective successors and permitted assigns.

11.2. This Agreement constitutes the entire agreement and understanding of the Parties with respect to its subject matter, and there are no conditions, agreements, rights by licence, representations, warranties or understandings, express or implied, except as set out in this Agreement.

11.3. Save as otherwise expressly provided herein, no modification, variation, waiver or amendment of this Agreement shall be of any force or effect unless it is in writing, specifically refers to this Agreement and is signed by a duly authorised representative of each of the Parties.

11.4. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, and all counterparts shall together constitute a single agreement. This Agreement and any counterpart thereof may be delivered by facsimile or other electronic transmission and when so delivered will be deemed to be an original.

11.5. If any term of this Agreement shall be held to be illegal, invalid or unenforceable by a court of competent jurisdiction, the remaining terms hereof shall remain in full force and effect.

12. Third Party Beneficiaries

Except as otherwise provided in this Agreement and this Clause 12, no person that is not a party to this Agreement shall be entitled to the benefit of any provisions of this Agreement or have any rights hereunder. Except as otherwise provided in this Agreement, no person that is not a party shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. Notwithstanding the foregoing, the Company acknowledges that the covenants, agreements and undertakings relating to the treatment of Confidential Information by the Company contained in this Agreement are also given in favour of the Affiliates. To the extent required by law to give full effect to these direct rights, Firestone Diamonds agrees and acknowledges that it is acting as agent of the Affiliates for the purposes of this Agreement and the entitlements and benefits of the covenants, agreements and undertakings relating to the treatment of such Confidential Information by the Company contained in this Agreement are also for the benefit of each of the Affiliates. The Parties reserve their right to vary or rescind at any time and in any way whatsoever, the rights, if any, granted by or under this Agreement to any person that is not a party, without notice to or consent of such person.

Governing Law

This Agreement shall be governed by the laws of Botswana, and the Parties irrevocably submit to the exclusive jurisdiction of the courts of Botswana and waive any right to objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorised representatives.

Signed for and on behalf of

[INSERT COMPANY NAME]

Name: _____

Position: _____

Signed for and on behalf of FIRESTONE DIAMONDS LIMITED

Name: Grant Ferriman

Position: Chief Financial Officer

APPENDIX B: CREDENTIALS QUESTIONNAIRE**TO BE COMPLETED BY ALL RECIPIENTS INTERESTED IN BEING CONSIDERED TO RECEIVE THE IM****Corporate Information**

1. The identity of the ultimate beneficial Interested Party(ies) being represented ("the Interested Party"), including full name, incorporation/registration number, place of incorporation/registration, physical and registered address and names of all current directors. If the Interested Party comprises a consortium, the details in respect of each member of such consortium.
2. If the Interested Party is a juristic person, full particulars of all shareholders, or if it is a company listed on any recognised stock exchange, the details relevant to such listing and particulars of its major shareholders, if any (for which purpose, a major shareholder is any single entity or person holding 5% or more of such company's listed shares).
3. Full correspondence and communication details for the primary contact person including:
 - Full name;
 - Telephone number;
 - Facsimile number;
 - Email address;
 - Physical address; and
 - Postal address.

Financial Information

4. The ability of the Interested Party to fund and assume the full responsibility for any rehabilitation liabilities.
5. Details of how the Interested Party intends to fund the purchase consideration and future working capital and capital expenditure at BK11.
6. A copy of the Interested Party's most recent audited financial statements. If the Interested Party comprises a consortium, the most recent audited financial statements in respect of each member of such consortium.
7. A certificate issued by a director stating that the financial position of the Interested Party has not deteriorated materially from the financial position provided in the audited financial

statements. If the Interested Party comprises a consortium, a certificate in respect of each member of such consortium.

Technical Information

8. Details of experience in managing and operating mining operations on a sustainable basis in accordance with good mining practices.
9. Details of managing and operating mining operations in Botswana or elsewhere.