



# Firestone Diamonds

June 2015

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# Firestone Diamonds

## Key Facts

- Firestone Diamonds a focused diamond mine developer – soon to join the short list of global diamond producers
- Lihobong Mine Development Project, Lesotho
  - Owned 75% Firestone Diamonds plc, 25% by Government of Lesotho (GoL)
  - Fully funded to production
  - Initial production expected during Q4 2016, construction commenced in July 2014
  - Target to treat 3.6 million tonnes of ore and recover plus 1 million carats per year
- Potential for large and fancy yellow stones
- H1 2014 – raised project financing package of US\$140 million and project debt facility of US\$82.4 million
- April 2015 – US\$15 million standby facility in place
- Senior management and owners team in place, with extensive project, construction and diamond mining experience

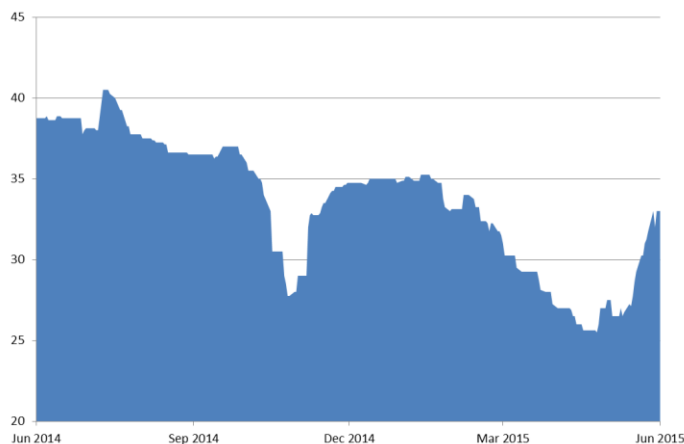
# Liqhobong Diamond Mine

## Key Facts cont.

- Located in north-central Lesotho, a small country land-locked in eastern South Africa
- Comprises Satellite and Main pipes, with associates dykes, in the Maluti Mountains of northern Lesotho
- 8.6-hectare kimberlite pipe, resource contains a probable reserve of 11.4 Mc
- Ore bodies were discovered in the 1950s by De Beers
- Acquired by Firestone from Kopane in 2010
- Started trial mining via Pilot Plant in 2011 – 1.18 Mt mined yielding over 325,000 carats, resource well understood
- Definitive Feasibility Study (DFS) completed in Oct 2012 and revised in Nov 2013 – 15-year open-pit mine and plant capable of producing 3.6 Mtpa
  - Base case project NPV@8% US\$379m, IRR 30%
  - Upside including large stones, NPV@8% US\$728m and IRR 45%
- Mine plan is for open pit mining to 393 metres over 15 years

# Company overview

## Share price performance since June 2014



Source: Factset

## Significant Shareholders (as at June 2015)

Pacific Road Resources	<b>23.0%</b>
Resource Capital Fund VI L.P.	<b>23.0%</b>
Edwards Family Holdings Ltd	<b>6.6%</b>
FIL Ltd	<b>5.0%</b>
Sustainable Capital Ltd	<b>5.0%</b>
Julian Treger	<b>4.5%</b>

## Analyst forecasts

	<b>Target Price</b>
Allenby Capital – September 2014	<b>76p</b>
Charles Stanley – June 2015	<b>42p</b>
FinnCap – October 2014	<b>84p</b>
GMP Securities – March 2015	<b>60p</b>
Macquarie Group – March 2015	<b>40p</b>
Mirabaud Securities – October 2014	<b>80p</b>
RBC Capital Markets – January 2015	<b>40p</b>
SP Angel – December 2014	<b>42.50p</b>

## London Listed

	<b>AIM: FDI</b>
Current Share Price (22 June 2015)	<b>34.25p</b>
Issued Shares	<b>308,992,814</b>
Market Capitalisation	<b>£106m</b>

## Advisers

Nomad	<b>Strand Hanson</b>
Joint Broker	<b>Mirabaud Securities LLP</b>
Joint Broker	<b>GMP Securities LLP</b>
Auditor	<b>BDO LLP</b>
Financial PR	<b>Tavistock Ltd</b>

# Firestone Diamonds

## Capital structure

Share Price 22 June 2015	34.25p
52 week high-low	41p - 25p
Average daily volume last 12 months	76.6k
Total shares outstanding	309m
Market capitalisation	US\$ 167m
Warrants outstanding	49m
Options outstanding	12m
Consolidated cash May 2015	US\$ 20m

### Undrawn debt facilities

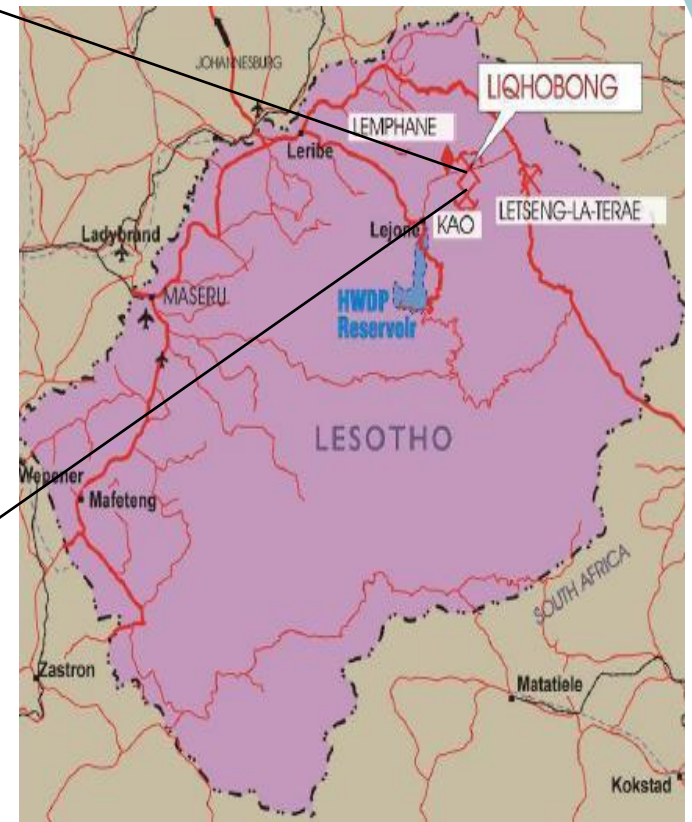
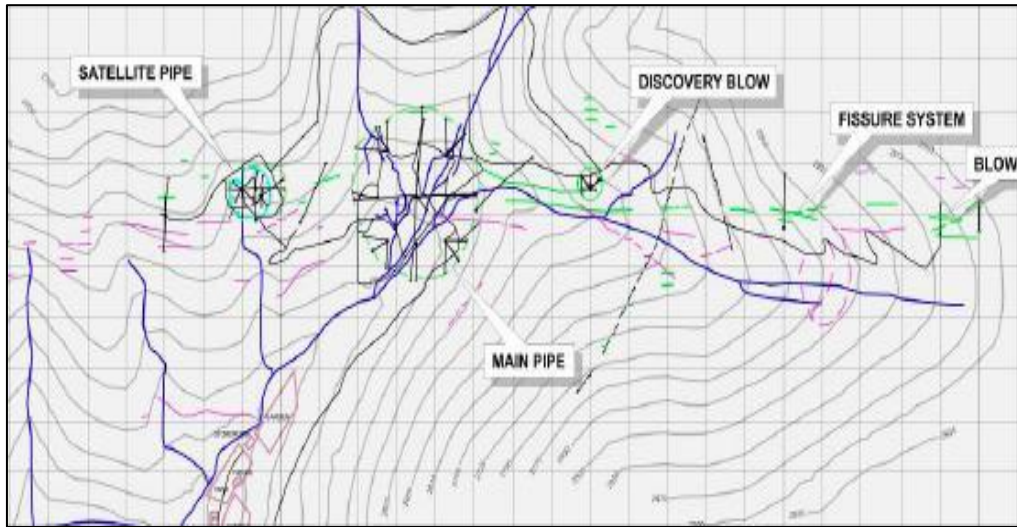
<b>ABSA project facility</b>	<b>US\$ 82.4m</b>
<b>Eurobond (series A)</b>	<b>US\$ 30.0m</b>
<b>Cost over-run facility</b>	<b>US\$ 15.0m</b>

# Liqhobong Diamond Mine Location



# Location, location, location

## Kimberlite Bodies



- Satellite pipe 1.6 ha
- Main pipe 8.6 ha
- Discovery blow 0.15 ha
- Blow ~ 0.1 ha Dyke 2.5 km strike

# Liqhobong Diamond Valuation

- Liqhobong Pilot Plant - recovered approx. 325,000 carats (September 2011 to October 2013)
- Data from the recovery and sale allowed for the assortment and revenue models to be updated and determine modelled prices that will be expected once production commences via the new Main Treatment Plant during Q4 2016
- Independent analysis of nine large stone fragments (30-80 ct stones) has suggested that if these large stones were recovered unbroken and included in the revenue model, an upside price of US\$156 per carat could be expected (three of these stones were calculated to have been potentially 200 carats or larger)

**Production  
from the  
Main Pipe**



1CM 2CM 3CM 4CM 5CM



1CM 2CM 3CM 4CM 5CM

# Liqhobong diamond examples

## Exceptional & large stone potential

**74 carat**

US\$8,500/ct

Light yellow makeable



**26 carat**

US\$13,500/ct

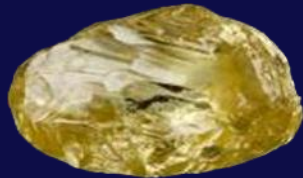
White makeable



**9 carat**

US\$10,000/ct

Fancy yellow



**39 carat**

US\$3,500/ct

Light yellow makeable



Besides the potential for large stones,  
Liqhobong has a high incidence of fancy yellow stones.

# Firestone Diamonds

## Project Key Features

Base Case DFS Model – 5 November 2013		
Mine Life	Years	15
Mineral Reserve	Million carats	17.1
Ore Mined	Million tonnes	53.7
Ave. Strip Ratio	Waste/Ore	2.28
Plant Capacity	Million tonnes/year	3.6
Ave. Diamond Production	Million carats/year	1.1
Ave. Diamond Price	US\$/carat	146
Gross Revenue	US\$ million	2,505
Initial Capital Costs	US\$ million	185
Operating Cost	US\$/tonne	14
Operating Cost	US\$/carat	44
Operating Margin		67%
Ave. Ongoing Capital Expenditure	US\$ million/year	1.0
Payback Period	Years	4.6

### Assumptions

1. Diamond price of \$107/ct escalated @ 3% real
2. Costs are not escalated
3. ZAR 10:US\$ 1 over the life of the Project

# Liqhobong

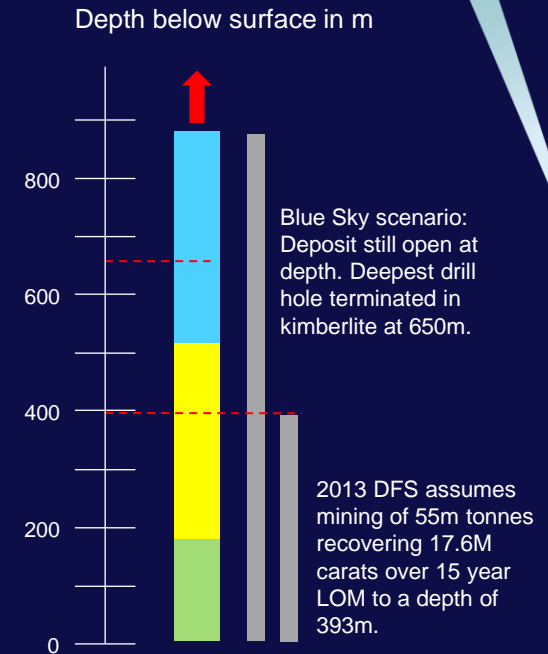
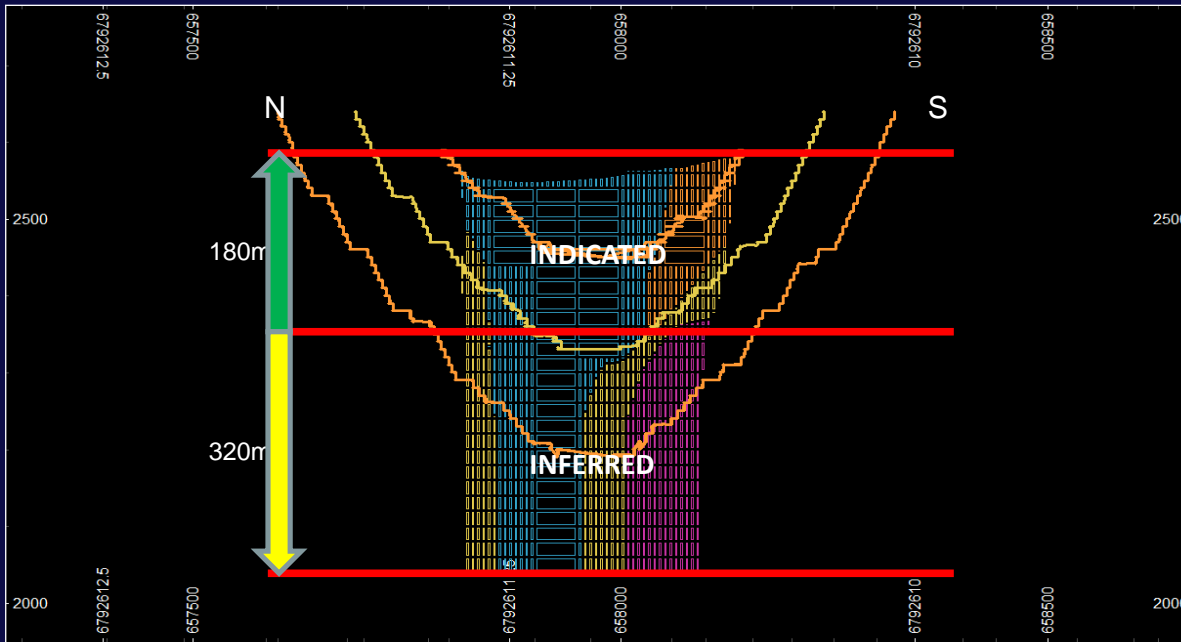
## Diamond Resource and Reserves

Diamond Resource			
Main Pipe	Tonnes	Grade (cpht)	Carats
Indicated Resource	37,083,000	31	11,480,500
Inferred Resource	51,471,000	34	17,476,000
Total Resource	88,554,000	33	28,956,500

Diamond Reserve			
Main Pipe	Tonnes	Grade (cpht)	Carats
Probable Reserve	36,448,000	31	11,379,000

The 2012 DFS open pit plan contains 55 Mt and 17.6 Mct to 393 m below surface.

# Liqhobong Resource and Upside



 **12M carat** Indicated Resource (at 1mm BCO)

 **17.6M carat** Inferred Resource (at 1mm BCO)

# Operational Readiness

## **All Licenses and permits in place**

- Mining Lease Agreement entered into with the Lesotho Government for an initial period ending on 25 April 2024 and can be renewed for two further periods of 10 years each

## **Owner's team and EPCM in place since start of project**

- Experienced owner's team in place covering all crucial disciplines
- DRA appointed as EPCM contractor

## **One year of earthworks completed and start of concrete foundation civils in May 2015**

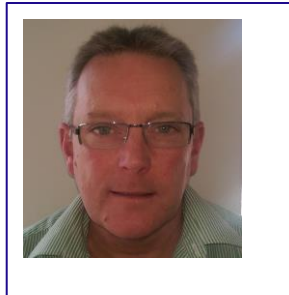
- Well advanced with main plant terraces and slimes dam wall. New access road completed in June 2015. New accommodation blocks completed.

## **Power connection to main grid to be completed by August 2015**

# Liqhobong Diamonds Owner's team



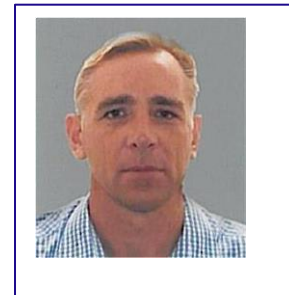
**Stuart Brown**  
Chief Executive Officer



**Glenn Black**  
Chief Project Officer



**Gideon Scheepers**  
Metallurgical Lead



**Paul Bosma**  
Mineral Resource  
Manager



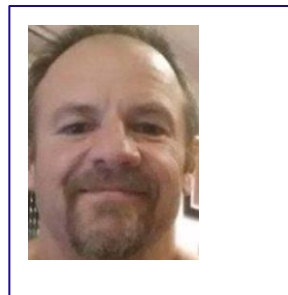
**Ernst du Plessis**  
Mechanical Lead



**Shane Hunter**  
Mining Lead



**Stuart Heggie**  
Project Services  
Coordinator



**Patrick Fountain**  
Electrical Lead



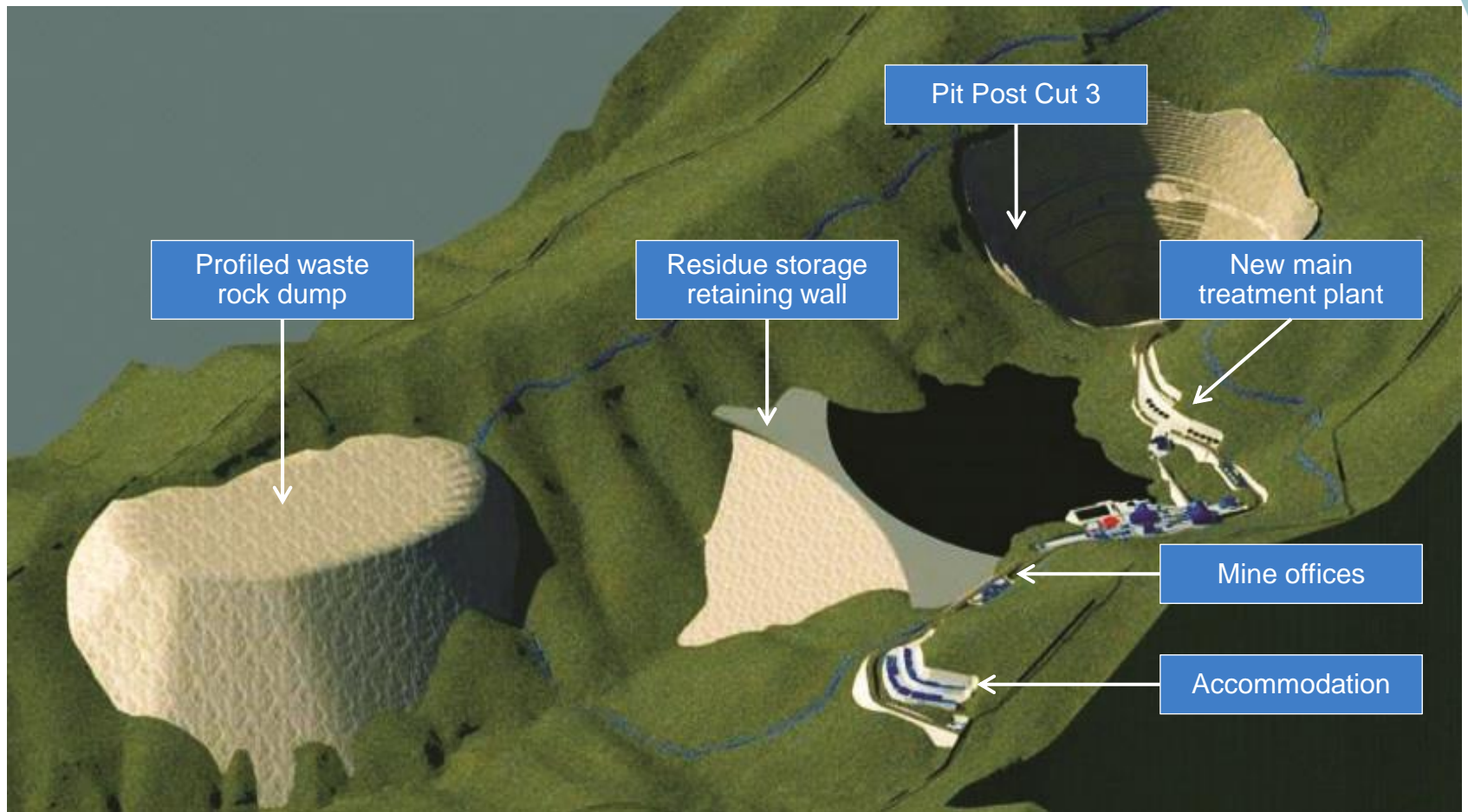
**Philip de Bourbon**  
Control &  
Instrumentation Lead



**Richard Stopford**  
Project Planner

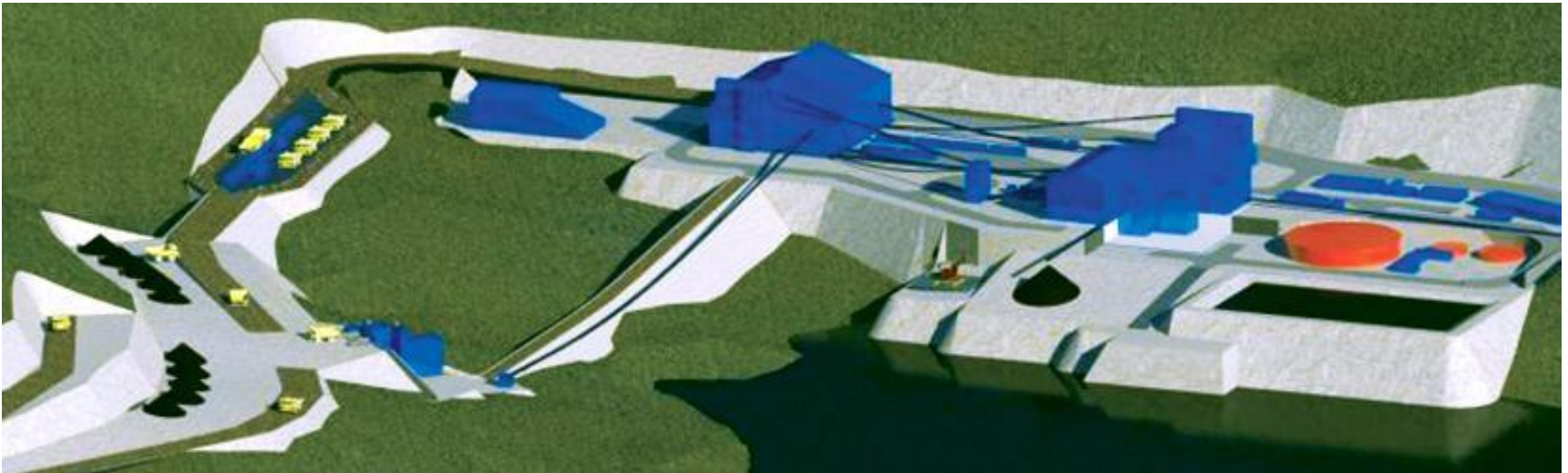
# Plant and infrastructure layout

## Post 15 years of phase 1 mining



# Proposed Plant Layout

- **Custom built plant:** simple scrubbing, screening, crushing and concentration design
- **2 x 250 tonne per hour streams** = 500 tonne per hour capacity, at 3.6 million tonnes to recover plus 1 million carats per annum



**500**

Tonnes per hour  
capacity

**3.6 million**

Tonnes treated  
per annum

**1 million +**

Carats per annum  
recovered

# Diamond Processing Plant

- Tried and tested processing facility with design capacity to process 3.6 Mtpa
- Strong design focus on large diamond recovery (to recover sizes up to 400 carats)
- Best practice comminution design aimed at reduced diamond damage
- Hands-off and secure diamond handling
- Only proven process technologies selected in 2012
- Process design focused on workability and cost-effectiveness
- Process flow incorporates:
  - Combination of jaw and cone crushers;
  - Scrubbing and conventional screening;
  - Coarse and fines dense medium separation; and
  - Final concentration by X-ray fluorescence technology.

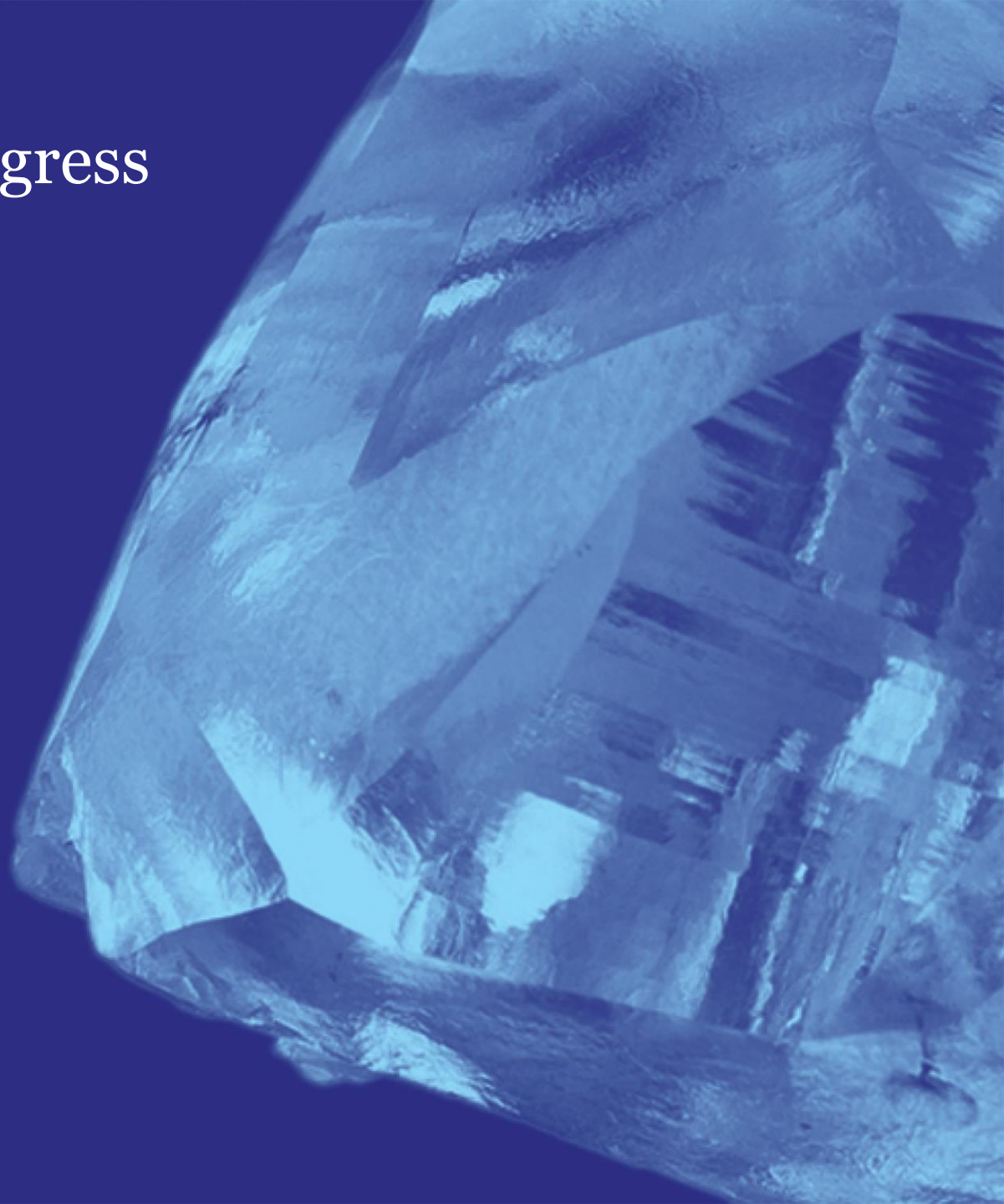


# Project Schedule for Liqhobong

## Based on construction mobilisation July 2014

Activity	2012		2013		2014		2015		2016		2017	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
ESIA (Complete)		█										
DFS Feasibility study (Complete)		█	█	█								
Project Financing (Complete)				█	█							
Detailed Engineering					█	█	█	█				
Site Construction						█	█	█	█	█	█	
Access road Construction (Complete)						█	█					
Commissioning and Ramp-up										█	█	
Commercial Production											█	█

# Construction Progress 2014 - 2015



# Construction Progress

Project start date 1 July 2014

Site overview  
**July 2014**



Site overview  
**May 2015**



# Construction Progress

Project start date 1 July 2014

Main plant terrace  
**February 2014**



Main plant terrace  
**May 2015**



# Construction Progress

Project start date 1 July 2014

Toe of new slimes dam wall  
**September 2014**



Toe of new slimes dam wall  
**May 2015**



# Construction Progress

Project start date 1 July 2014

Substation terrace in progress  
**September 2014**



Substation with transformers installed  
**May 2015**



# Construction Progress

Project start date 1 July 2014

Accommodation terrace  
**January 2015**



First 3 accommodation blocks ready for occupation  
**May 2015**



# Construction Progress

Project start date 1 July 2014

Start of civil work – First concrete foundation cast  
**May 2015**



# Construction Progress

Project start date 1 July 2014

Secondary crusher cast-in chutes release for delivery to site



Material released for galvanizing



Rubber lining inspection and Quality checks



Painting DFT inspection and quality checks



Plate work released for delivery to site



Flooring released for corrosion protection



# Firestone Diamonds

## Funding timeline

15 Jan  
2014

Announced funding package of US\$140 million and project debt facility of US\$82.4 million

28 April  
2014

US\$3 million raised from retail open offer

28 May  
2014

US\$140 million raised from new and existing shareholders

**FULLY  
FINANCED**

**US\$ 225.2 raised for mine development**

24 April  
2015

US\$15 million standby facility put in place to cover the cost of potential over-runs

# Firestone Diamonds

## Funding and use of proceeds

<b>FUNDING</b>	<b>US\$'m</b>
<b>EQUITY</b>	<b>113.0</b>
- RCF & Pac Road	70.0
- Existing shareholders	40.0
- Retail open offer	3.0
<b>DEBT</b>	<b>112.4</b>
- ABSA project debt facility	82.4
- Eurobond (Series A)	30.0
<b>TOTAL FUNDING</b>	<b>225.4</b>

<b>USES OF FUNDING</b>	<b>US\$'m</b>
Mine development project	185.0
Financing costs	19.7
Settlement of existing debt	4.1
Working capital	16.6
<b>TOTAL FUNDING</b>	<b>225.4</b>

# Firestone Diamonds

## Listed Diamond Producers, Developers and Explorers

### Project key features

Company Name	Price Currency	Price	Shares (millions)	Market Capitalization USDm	Bloomberg target price	Bloomberg % Upside to target price
<b>Producers</b>						
Dominion Diamond Corp	C\$	20.07	85.20	1 387.28	26.63	33%
Gem Diamonds Limited	£	1.52	138.30	325.73	2.14	41%
Lucara Diamond Corp.	C\$	2.03	379.40	624.84	2.59	28%
Petra Diamonds Limited	£	1.55	515.20	1 244.65	2.17	40%
<b>Developers</b>						
<b>Firestone Diamonds PLC</b>	£	<b>0.33</b>	<b>309.00</b>	<b>153.75</b>	<b>0.46</b>	<b>38%</b>
Mountain Province Diamonds, Inc.	\$	5.16	159.00	665.62	6.81	32%
Stornoway	C\$	0.77	732.30	457.46	1.14	48%
<b>Explorers</b>						
Kennedy Diamonds Inc	C\$	5.30	28.60	122.98	n/a	n/a
North Arrow Minerals Inc	C\$	0.38	49.90	18.96	n/a	n/a
Peregrine Diamonds Limited	C\$	0.26	282.70	59.63	0.60	131%
Shore Gold, Inc.	C\$	0.18	256.50	37.46	n/a	n/a

# World diamond production carat estimates for 2015

## >100,000 ct per annum mines

### CANADA

- Diavik – 6,100,000 ct
- Ekati – 2,100,000 ct
- Snap Lake – 1,200,000 ct
- Victor – 650,000 ct

### TANZANIA

- Williamson – 190,000 ct

### SIERRA LEONE

- Koidu – 110,000 ct

### ANGOLA

- Catoca – 6,500,000 ct
- Lulo – 55,000 ct
- Samiluana – 80,000 ct

### NAMIBIA

- Debmarine – 1,200,000 ct
- MA1 – 250,000 ct
- EBAY – 250,000 ct
- Orange River – 90,000 ct

### SOUTH AFRICA

- Venetia – 3,200,000 ct
- Finsch – 1,900,000 ct
- Cullinan – 800,000 ct
- Kimberley tails – 700,000 ct
- Voorspoed – 700,000 ct
- Kimberley UG – 140,000 ct
- Baken – 60,000 ct

### LESOTHO

- Letseng – 105,000 ct
- Kao – 120,000 ct

### RUSSIA

- Jubilee – 9,000,000 ct
- Nyurbinskava – 6,500,000 ct
- International – 4,000,000 ct
- Udachniv – 3,500,000 ct
- Aikhal – 3,000,000 ct
- Almazly placers – 3,000,000 ct
- Nizhne placers – 3,000,000 ct
- Grib – 1,500,000 ct
- Mir – 1,500,000 ct
- Arkangelskava – 1,500,000 ct
- Nyurba placers – 1,500,000 ct
- Karpinskogo – 750,000 ct
- Mimy placers – 700,000 ct
- Zamitsa – 150,000 ct

### ZIMBABWE

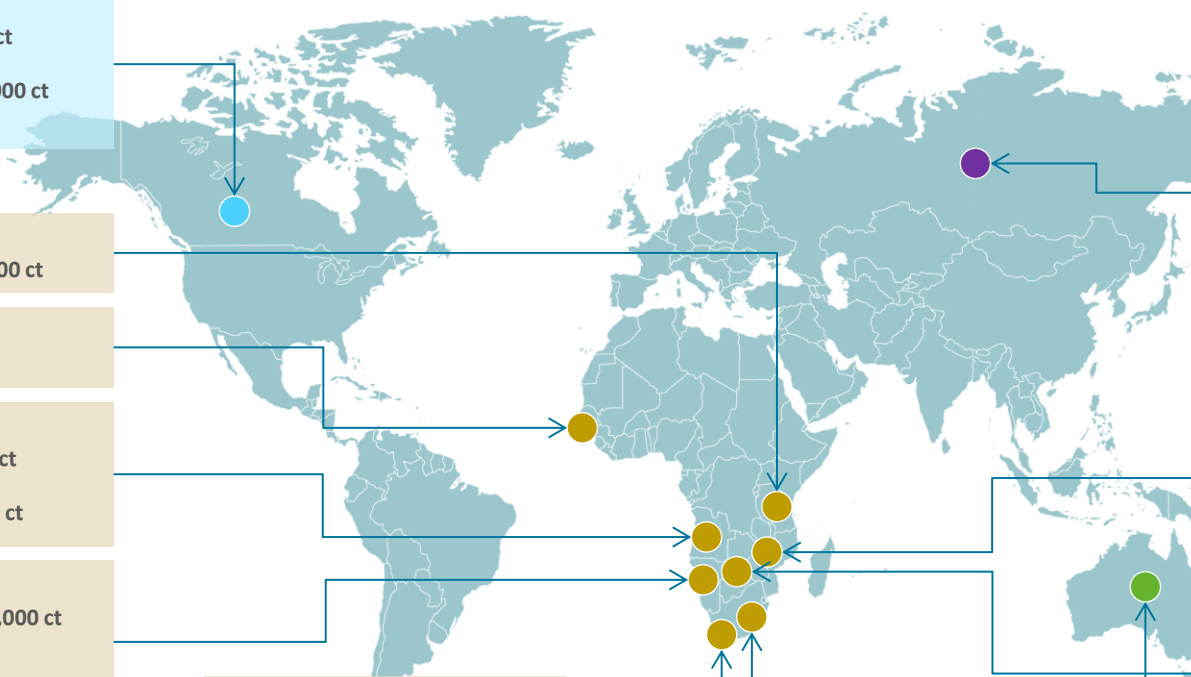
- Marange – 8,000,000 ct
- Murowa – 350,000 ct

### BOTSWANA

- Orapa – 12,000,000 ct
- Jwaneng – 11,000,000 ct
- Karowe – 400,000 ct
- Letlhakane – 550,000 ct
- Daamtsheha – 300,000 ct
- Ghaghoo – 200,000 ct
- Lerala – 150,000 ct

### AUSTRALIA

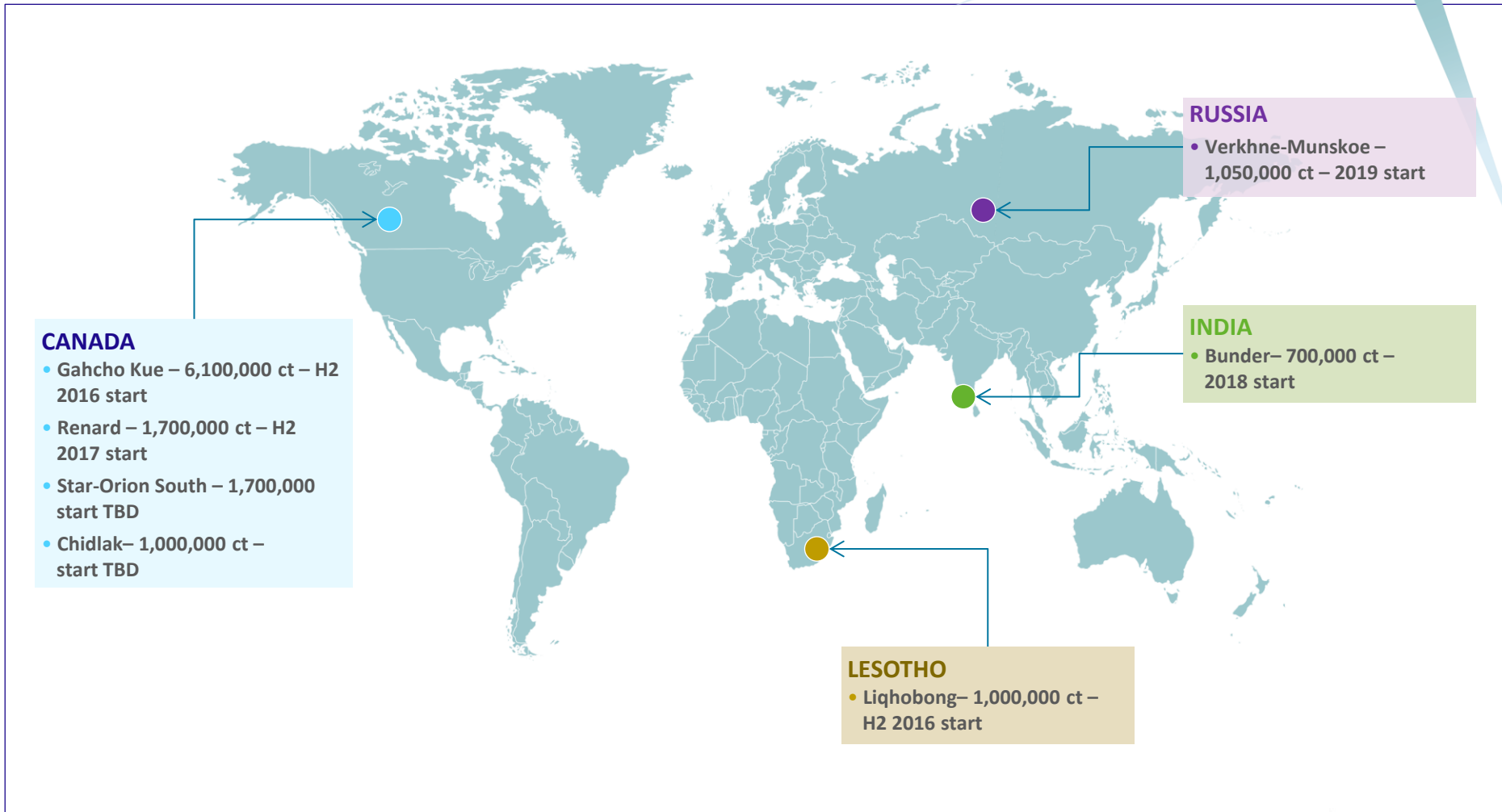
- Argyle – 17,000,500 ct



<http://www.paulzimmisky.com/global-rough-diamond-production-estimates>

# Major diamond development projects

>100,000 ct per annum mines

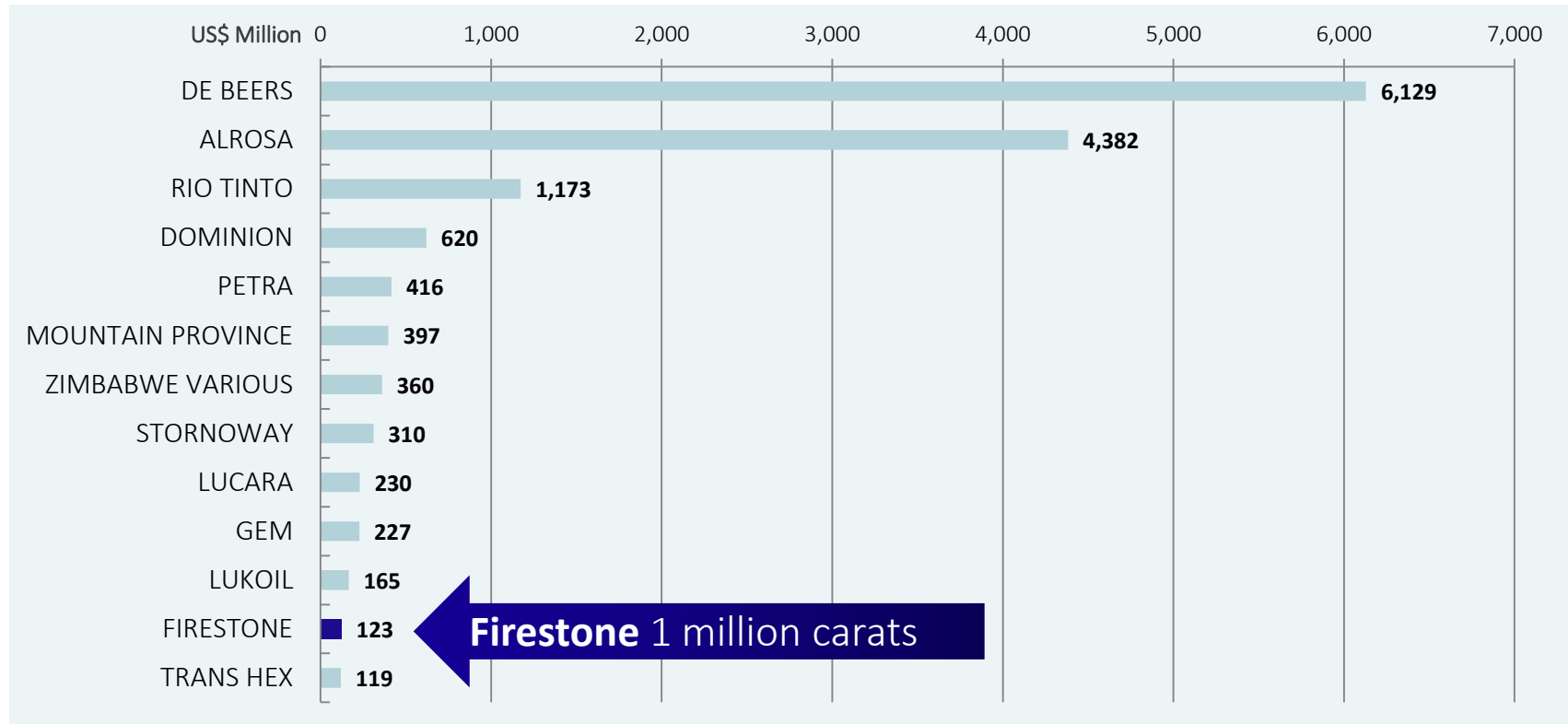


<http://www.paulzimmisky.com/global-rough-diamond-production-estimates>

# Firestone Diamonds

## Significant Diamond Producers

### 12 months sales/forecast annual average



Source – Paul Zimnisky

\* Renard estimated at FS average annual diamond production of 1.63 million carats, and WWW March 2014 weighted diamond price of US\$190/ct, un-escalated

\*\*Firestone estimated at FS average annual production of 1.15 million carats at an average price of US\$107/ct, un-escalated

# Firestone Diamonds Board of Directors & Officers



**Lucio Genovese**  
Non-Executive Chairman



**Stuart Brown**  
Chief Executive Officer



**Paul Sobie**  
Non-Executive Director



**Braam Jonker**  
Non-Executive Director



**Mike Wittet**  
Non-Executive Director



**Ken Owen**  
Non-Executive Director



**Niall Young**  
Non-Executive Director



**Keith Johnson**  
Non-Executive Director



**Grant Ferriman**  
Chief Financial Officer

Highly experienced Board with proven track record

# Firestone Diamonds

## Board of Directors & Officers - Biographies

### **Lucio Genovese** Non-Executive Chairman

Mr Genovese has 24 years of experience in both the merchant and financial sector of the metals and mining industry. He is a qualified Chartered Accountant and has a B.Comm and B.Acc from the University of Witwatersrand, Johannesburg (South Africa).

### **Braam Jonker** Non-Executive Director

Mr Jonker has over 20 years of extensive accounting and corporate finance experience mostly in the mining industry. He is a Chartered Accountant (South Africa, England and Wales) and holds a Masters Degree in South African and International Tax from the Rand Afrikaans University.

### **Niall Young** Non-Executive Director

Mr Young has over 30 years of experience in the mining industry and was previously General Manager of Mineral Resource Management at De Beers. Mr Young holds a B.Sc. (Hons) in Mineral Exploitation from University College Cardiff and is also a Fellow of the Geological Society of London. Mr Young is Pacific Road Capital's nominated Non-Executive Director of the Company.

### **Stuart Brown** Chief Executive Officer

Mr Brown has over 20 years of experience in the diamond industry, most of which was spent with De Beers where he held the positions of Group CFO for 5 years before being appointed Joint Acting CEO. Mr Brown holds a Bachelor of Accounting Science (BCompt) from the University of South Africa (UNISA) and is a member of the South African Institute of Chartered Accountants.

### **Mike Wittet** Non-Executive Director

Mr Wittet has over 40 years of experience in mining, the majority of which were spent in the diamond industry where he held positions including General Manager of Jwaneng, Orapa and Namdeb diamond mines. Mr Wittet holds an Honours Degree in Chemical Engineering from Edinburgh University in Scotland.

### **Keith Johnson** Non-Executive Director

Mr Johnson has over 25 years of experience in the natural resources sector, 18 of which were in the mining industry. Mr Johnson previously served on the Executive Committee of Rio Tinto plc where he was responsible for Rio's US\$1 billion global diamond business across three continents. Mr Johnson holds an MBA in Finance and a BSc degree in Mathematics and Operational Research and is also a Fellow of the Royal Statistical Society. Mr Johnson is Resource Capital Fund VI L.P.'s nominated Non-Executive Director of the Company.

### **Paul Sobie** Non-Executive Director

Mr Sobie is a graduate of Laurentian University, Canada and is an economic geologist specializing in the exploration and evaluation of diamond deposits, which included the initial economic evaluations of the Lihobong kimberlites in Lesotho. Mr Sobie has over 20 years of professional experience and is a practising member of the Association of Professional Geoscientists of Ontario.

### **Ken Owen** Non-Executive Director

Mr Owen has over 35 years of experience in the mining industry, having worked as General Manager of De Beers's Premier Diamond Mine in South Africa and as Senior Vice President of Anglo American South Africa. Mr Owen holds a M.Sc. in Minerals Production Management from Imperial College, London.

### **Grant Ferriman** Chief Financial Officer

Mr Ferriman is a Chartered Accountant with 15 years of experience, including 7 years in the mining industry and has extensive experience in public company reporting in the United Kingdom and the development and implementation of control systems for companies with assets based in Southern Africa.

# Contact Us

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