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If you require any further information or details of our services, please contact us at at the above address:

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STRAND HANSON LIMITED
REGISTERED IN ENGLAND COMPANY NO 2780169
REGISTERED OFFICE 26 MOUNT ROW LONDON W1K 3SQ
AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you held Existing Ordinary Shares on or before 14 January 2014 and have subsequently sold or otherwise transferred all such Existing Ordinary Shares after 15 January 2014, you should retain this document and the accompanying Application Form and should immediately contact the stockbroker, bank or other agent through whom the sale or transfer was effected. If you did not hold any Existing Ordinary Shares before 14 January 2014 and have acquired your entire interest in the Existing Ordinary Shares following the Existing Ordinary Shares being marked "ex-entitlement" on 15 January 2104, you are receiving this document and the Form of Proxy as you are able to vote at the forthcoming General Meeting but are not entitled to participate in the Open Offer as detailed in this document. If you have sold or otherwise transferred all of your holdings of Existing Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you sell or if you have sold or otherwise transferred only part of your holding of Existing Ordinary Shares you should retain this document and, as applicable, the accompanying Application Form and Form of Proxy and should immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected. This document and any accompanying documents should not be sent or transmitted in or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations including, but not limited to, any Restricted Jurisdiction.

FIRESTONE DIAMONDS PLC

(Incorporated in England and Wales with registered number 03589905)

Subscription, Placing and Open Offer of New Ordinary Shares,
Capital Reorganisation
and
Notice of General Meeting

Nominated Adviser	**Joint Brokers**
STRAND HANSON LIMITED	**GMP SECURITIES EUROPE LLP** **MIRABAUD SECURITIES LLP**

The total consideration under the Open Offer shall be less than €5 million (or an equivalent sterling amount) in aggregate and the Subscription Shares and the Placing Shares are only available to qualified investors for the purposes of the Prospectus Directive or otherwise in circumstances not resulting in an offer of transferable securities to the public under Section 102B of FSMA. Therefore, in accordance with Section 85 and Schedule 11A of FSMA, this document is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules and has not been prepared in accordance with the Prospectus Rules. Accordingly, this document has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom, pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

This document should be read as a whole. Your attention is drawn in particular to the letter from the Chairman of Firestone Diamonds plc which is set out in Part I of this document and, in particular, to paragraph 15 which contains the recommendation from the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting referred to below. In addition, your attention is drawn to Part II of this document entitled "Risk Factors" which contains a discussion of certain factors that should be considered by Shareholders when considering whether or not to make an investment in the Company.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 25 April 2014. The procedure for acceptance and payment is set out in Part III of this document and, where relevant, in the Application Form.

Notice of a General Meeting of Firestone Diamonds plc to be held at 10.00 a.m. on 28 April 2014 at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU is set out at the end of this document. A Form of Proxy for use at this General Meeting is enclosed (where relevant). To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company's Registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to arrive not later than 10.00 a.m. on 24 April 2014 together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Strand Hanson Limited ("**Strand Hanson**"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company and no-one else in connection with the Fundraising and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Fundraising and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Fundraising or any other matter referred to herein. Its responsibilities as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed to the London Stock Exchange and the Company and not to any other person in respect of his decision to acquire New Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Strand Hanson as to any of the contents of this document.

GMP Securities Europe LLP ("**GMP**"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company and no-one else in connection with the Fundraising and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Fundraising and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Fundraising or any other matter referred to herein. Its responsibilities as the Company's joint broker under the AIM Rules for Companies are owed to the London Stock Exchange and the Company and not to any other person in respect of his decision to acquire New Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by GMP as to any of the contents of this document.

Mirabaud Securities LLP ("**Mirabaud**"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company and no-one else in connection with the Fundraising and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Fundraising and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Fundraising or any other matter referred to herein. Its responsibilities as the Company's joint broker under the AIM Rules for Companies are owed to the London Stock Exchange and the Company and not to any other person in respect of his decision to acquire New Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Mirabaud as to any of the contents of this document.

The Existing Ordinary Shares are admitted to trading on AIM, a market operated by the London Stock Exchange. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, Creditor Shares and Fee Shares to be issued will commence at 8.00 a.m. on 30 April 2014.

This document does not constitute a prospectus or a prospectus equivalent document. This document cannot be relied on for any investment contract or decision under the Placing or the Open Offer. No person has been authorised to give any information or make any representation not contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, Strand Hanson, GMP or Mirabaud. In particular, the content of the Company's website does not form part of this document and Shareholders and prospective shareholders should not rely on it.

Qualifying non-CREST Shareholders will find an Application Form accompanying this document. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their stock accounts in CREST in respect of the Open Offer Entitlements which will be enabled for settlement at 8.00 a.m. on 14 April 2014. If the Open Offer Entitlements are for any reason not enabled by 8.00 a.m. on 14 April 2014 (or such later time as the Company may decide), an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked "ex-entitlement" (being 15 January 2014). Any Shareholder who acquired Existing Ordinary Shares after 14 January 2014 will not be able to participate in the Open Offer but shall be entitled to vote at the General Meeting.

Applications for Excess Shares pursuant to the Excess Application Facility may be made by the Qualifying Shareholder provided that their Open Offer Entitlement has been taken up in full and subject to being scaled back in accordance with the provisions of this document.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

Whether or not Shareholders entitled to vote at the General Meeting intend to be present, they are requested to complete the Form of Proxy in accordance with the instructions printed on the Form of Proxy and return it to Capita by no later than 10.00 a.m. on 24 April 2014 in order to be valid. Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting should you so wish.

Copies of this document are available free of charge from Firestone Diamonds plc, The Triangle, 5 – 17 Hammersmith Grove, London W6 0LG, and a copy is also available from the date of this document on the Company's website www.firestonediamonds.com in accordance with the requirements of Rule 26 of the AIM Rules for Companies.

Notice to Overseas Shareholders

The transfer of Open Offer Entitlements or Excess Open Offer Entitlements through CREST, in jurisdictions other than the UK, including the Restricted Jurisdictions, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document does not constitute, and may not be used for the purposes of, any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for New Ordinary Shares to or by anyone in any jurisdiction in which such offer, invitation or solicitation is unlawful or to any person to whom it is unlawful to make such offer or invitation or undertake such solicitation or to any person where the making of such offer would require the Company to publish a prospectus for the purposes of the Prospectus Rules. The distribution of this document and the Application Form and the offering of New Ordinary Shares in certain jurisdictions, including (without limitation) the Restricted Jurisdictions, may be restricted by law and, accordingly, persons into whose possession this document comes should inform themselves about and observe any such restrictions.

Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned.

This document and the Application Form do not constitute an offer of the New Ordinary Shares to any person with a registered address, or who is resident or located, in any of the Restricted Jurisdictions. This document and the Form of Proxy are being sent to Shareholders with registered addresses in the Restricted

Jurisdictions for information only and in connection with the General Meeting. Shareholders with registered addresses (or who are otherwise located) in the Restricted Jurisdictions will not be sent an Application Form.

None of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements have been or will be registered under the US Securities Act or under the applicable state securities laws of the United States or under the applicable securities laws of Australia, Canada, Japan, New Zealand, the Republic of South Africa, Singapore or any other jurisdiction. Subject to certain exceptions, the New Ordinary Shares, the Open Offer Entitlements and the Excess Open Offer Entitlements may not be offered, sold, taken up, delivered or transferred in or into any of the Restricted Jurisdictions. In particular, none of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements may be, directly or indirectly, offered, sold, taken up, delivered, renounced or transferred in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of any of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements in the United States.

Neither the SEC nor any state securities commission or other US regulatory authority has approved or disapproved of the New Ordinary Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements or endorsed the merits of the Fundraising or the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

In addition, subject to certain exceptions, Application Forms are not being posted to and no Open Offer Entitlements or the Excess Open Offer Entitlements will be credited to a stock account of any person in any of the Restricted Jurisdictions. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom is drawn to the section entitled "Overseas Shareholders" at section 6 of Part III of this document. This document, the Application Form and the New Ordinary Shares may not be redistributed or forwarded directly or indirectly into any Restricted Jurisdiction.

For a description of the restrictions on offers, sales and transfers of the New Ordinary Shares and the distribution of this document, see Part III of this document.

Forward-looking statements

This document contains forward looking statements, including, without limitation, statements containing the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements speak only as at the date of this document. Except as required by the AIM Rules for Companies, the Disclosure and Transparency Rules, the London Stock Exchange or otherwise by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TABLE OF CONTENTS

	Page
Directors and Advisers	6
Expected Timetable of Principal Events	7
Fundraising Statistics	8
Exchange Rates	9
Part I Letter from the Chairman	10
Part II Risk Factors	28
Part III Terms and Conditions of the Open Offer	35
Part IV Additional Information	54
Definitions	57
Notice of General Meeting	63

DIRECTORS AND ADVISERS

Directors	Raffaele ("Lucio") Genovese *(Chairman)* Stuart Michael Brown *(Chief Executive Officer)* Abraham ("Braam") Hendrik Jonker *(Non-Executive Director)* Paul Andrew Sobie *(Non-Executive Director)* Julian Andre Treger *(Non-Executive Director)* Michael John Carter Wittet *(Non-Executive Director)*
	all of:
Registered Office	The Triangle 5-17 Hammersmith Grove London W6 0LG
Company Secretary	Prism Cosec 10 Margaret Street London W1W 8RL
Nominated Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Joint Brokers	GMP Securities Europe LLP Stratton House 5 Stratton House London W1J 8LA
	Mirabaud Securities LLP 33 Grosvenor Place London SW1X 7HY
Legal Advisers to the Company	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
Legal Advisers to the Nominated Adviser and Joint Brokers	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2PX
UK Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent for the Open Offer	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2014
Record Date for entitlement under the Open Offer	14 January
Announcement of the Fundraising and ex-entitlement date	15 January
Posting of this document, the Form of Proxy and, to Qualifying non-CREST shareholders only, the Application Form	11 April
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	8.00 a.m. on 14 April
Latest recommended time and date for requesting withdrawal of Open Offer and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 17 April
Latest time for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 22 April
Latest time and date for splitting Application Forms (to satisfy *bona fide* market claims)	3.00 p.m. on 23 April
Latest time and date for receipt of Forms of Proxy from Shareholders	**10.00 a.m. on 24 April**
Latest time and date for receipt of completed Application Forms and payment in full from Qualifying Shareholders under the Open Offer or settlement of relevant CREST instruction (as appropriate)	**11.00 a.m. on 25 April**
Expected time and date of announcement of results of the Open Offer	7.00 a.m. on 28 April
General Meeting	10.00 a.m. on 28 April
Expected time of announcement of results of the General Meeting	Afternoon of 28 April
Admission effective and dealings in the New Ordinary Shares, Creditor Shares and Fee Shares expected to commence	8.00 a.m. on 30 April
Expected date for crediting of the New Ordinary Shares in uncertificated form to CREST stock accounts	30 April
Share Capital Reorganisation Record Date and final date of trading for Ordinary Shares	6.00 p.m. on 7 May
Admission effective and dealings in the Capital Reorganisation Shares	8.00 a.m. on 8 May
Expected date for crediting of the Capital Reorganisation Shares in uncertificated form to CREST stock accounts	8 May
Dispatch of share certificates in respect of the Capital Reorganisation Shares expected to be no later than	15 May

Notes:

(1) If you have any questions on the procedure for acceptance and payment, you should contact Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or by telephone on 0871 664 0321 from within the UK or on + 44 (0)20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that Capita cannot provide financial advice on the merits of the Fundraising nor whether you should participate in the Open Offer.

(2) The dates set out in the Expected Timetable of Principal Events above and mentioned throughout this document may be adjusted by Firestone in which event details of the new dates will be notified to AIM and, where appropriate, to Shareholders.

(3) All references to time in this document are to time in London, United Kingdom.

FUNDRAISING STATISTICS

Issue Price	3 pence
Number of Existing Ordinary Shares in issue as at the date of this document	753,753,234
Basis of the Open Offer	2 Open Offer Shares for every 11 Existing Ordinary Shares
Number of New Ordinary Shares expected to be issued pursuant to:	
the Subscription	1,422,937,756
the Placing	813,107,289
the Open Offer	Up to 137,046,042
Maximum aggregate number of New Ordinary Shares expected to be issued by the Company pursuant to the Fundraising*	2,373,091,087
Enlarged Share Capital immediately upon Admission**	3,170,806,462
Enlarged Share Capital immediately following completion of the Share Capital Reorganisation**	317,080,646
Percentage of the Enlarged Share Capital represented by the New Ordinary Shares, Creditor Shares and Fee Shares**	76.2 per cent.
Gross proceeds of the Subscription	US$70 million
Gross proceeds of the Placing	US$40 million
Gross proceeds of the Open Offer*	US$6.7 million
Gross proceeds of the Mezzanine Facility	US$30 million
Gross proceeds of the Absa Debt Facility	US$82.4 million
Total expected gross proceeds of the Fundraising and the Absa Debt Facility (before expenses)*	US$229.1 million
ISIN of the Open Offer Entitlement	GB00BKWPYZ53
ISIN of the Excess Open Offer Entitlements	GB00BKWPZ079
ISIN of the Capital Reorganisation Shares following the Share Capital Reorganisation	GB00BKX59Y86

Note:

* Assumes the issue of the maximum number of Open Offer Shares pursuant to the Open Offer

** Assumes the issue of the maximum number of Open Offer Shares pursuant to the Open Offer and includes the issue of the 36,318,934 Creditor Shares and 7,643,207 Fee Shares

EXCHANGE RATES

In this document, references to “sterling”, “pounds sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom, references to “US dollars”, “US$”, “$” and “cents” are to the lawful currency of United States of America, references to “euro”, “€”, “EUR” are to the lawful currency of the European Monetary Union and references to “South African Rand” or “ZAR” are to the lawful currency of the Republic of South Africa. **Unless otherwise stated, the basis of translation of pounds sterling into US dollars for the purposes of inclusion in this document is £1.00/US$1.6398, being, for consistency, the exchange rates used to calculate the number of New Ordinary Shares to be issued to Pacific Road and RCF VI pursuant to the Subscription Agreements which was fixed as at the date of the Announcement.** The basis of translation of South African Rand into US dollars for the purposes of inclusion in this document is ZAR 10.00/US$1.00 and for pounds sterling into euro is £1.00/€1.21.

PART I

LETTER FROM THE CHAIRMAN

FIRESTONE DIAMONDS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03589905)

Directors:	*Registered Office:*
Raffaele ("Lucio") Genovese *(Chairman)*	The Triangle
Stuart Michael Brown *(Chief Executive Officer)*	5 – 17 Hammersmith Grove
Abraham ("Braam") Hendrik Jonker *(Non-Executive Director)*	London W6 0LG
Paul Andrew Sobie *(Non-Executive Director)*	
Julian Andre Treger *(Non-Executive Director)*	
Michael John Carter Wittet *(Non-Executive Director)*	

11 April 2014

Dear Shareholder,

Subscription, Placing and Open Offer of New Ordinary Shares, Capital Reorganisation and Notice of General Meeting

1. Introduction

On 15 January 2014, the Company announced that, in addition to securing, subject to the satisfaction or waiver of certain conditions precedent, the US$82.4 million (£50.3 million) Absa Debt Facility (as previously announced on 25 November 2013), it had successfully agreed in principle, subject to certain conditions precedent (including, *inter alia*, the approval of Shareholders at the General Meeting), an additional funding package of approximately US$140 million (£85.4 million) (before expenses) to build and commission the Main Treatment Plant and supporting infrastructure at the Liqhobong Diamond Mine, located in the Lesotho highlands, with expected full nameplate production in early 2016.

The Fundraising includes the Mezzanine Facility and the Subscription from two new strategic investors, Pacific Road (through (i) Pacific Road Resources Fund II L.P. (represented by Pacific Road Capital Management GP II PTY Limited) and (ii) Pacific Road Resources Fund II (represented by Pacific Road Capital II PTY Limited)) and Resource Capital Fund VI L.P., both leading mining-focussed investment groups, and together with the Placing with new and existing Shareholders, totals, in aggregate, US$140 million (£85.4 million) (before expenses). The Announcement stated that, as part of the funding package, Pacific Road and RCF VI would each provide a bridge facility of US$5 million. However, on the basis that the bridge facility has not yet been entered into and that, in any event, the monies outstanding under the bridge facility would have been applied towards the subscription of, in aggregate, 203,276,822 New Ordinary Shares at the Issue Price, it has been agreed subsequently between the parties that such a facility will not be entered into but instead the Subscription will be increased from, in aggregate, US$60 million, to US$70 million. The Company confirms that, as a result of the bridge facility no longer being entered into by the parties and the corresponding increase in the Subscription, the monies to be raised from and the New Ordinary Shares to be issued to each Pacific Road and RCF VI will not change.

The Mezzanine Facility Agreement, the Subscription Agreements and the agreements in respect of the Absa Debt Facility are expected to be entered into by no later than 28 April 2014. All the agreements will be conditional upon, *inter alia*, Shareholder approval of the relevant Resolutions at the General Meeting and entry into the Group's Revised Mining Lease Agreement by the Company's subsidiary LMDC and the Government of Lesotho.

The Fundraising also includes the Placing and the Open Offer. The Open Offer provides Shareholders on the register of members of the Company at the close of business on 14 January 2014 with the opportunity to participate in the Fundraising. The Open Offer will provide Qualifying Shareholders who have not participated in the Placing the opportunity to subscribe for Open Offer Shares at the price of 3 pence per Open Offer Share (being equivalent to the Issue Price) on a *pro rata* basis up to approximately

US$6.7 (£4.1 million) (before expenses). Assuming the full amount is raised under the Open Offer, the gross proceeds of the Fundraising shall be approximately US$146.7 million (£89.5 million) and, together with the Absa Debt Facility, the Company will have raised, in aggregate, approximately US$229.1 million (£139.7 million).

Unless otherwise stated, the basis of translation of pounds sterling into US dollars for the purposes of inclusion in this document is £1.00/US$1.6398, being, for consistency, the exchange rates used to calculate the number of New Ordinary Shares to be issued to Pacific Road and RCF VI pursuant to the Subscription Agreements which was fixed as at the date of the Announcement.

The Board believes that the Fundraising and the Absa Debt Facility demonstrates the investment case for the construction of the Main Treatment Plant and supporting infrastructure at the Liqhobong Diamond Mine and emphasises the confidence and commitment of the Company's new and existing stakeholders in the Project, the Company, its management team and, importantly, the Kingdom of Lesotho.

The allotment and issue of the New Ordinary Shares pursuant to the terms of the Fundraising will exceed the Directors' existing authorities to allot and issue shares for cash on a non pre-emptive basis. Accordingly a general meeting is being convened to seek Shareholders' approval to grant new share issuance authorities to enable the Directors to issue the New Ordinary Shares. Details of the Resolutions which will be sought at the General Meeting to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 28 April 2014 at 10.00 a.m. are set out in paragraph 12 of this Part I and the Notice of General Meeting which is set out at the end of this document.

The Board has also, for the reasons set out in paragraph 5 of Part I of this document, resolved to seek Shareholder approval for the Share Capital Reorganisation whereby all Ordinary Shares will be consolidated on the basis of one Capital Reorganisation Share for every 10 Ordinary Shares. Those Shareholders holding less than 10 Ordinary Shares at the Share Capital Reorganisation Record Date will not be entitled to Capital Reorganisation Shares arising on the Share Capital Reorganisation and will therefore no longer be Shareholders. The Share Capital Reorganisation will, if approved by Shareholders at the General Meeting, be effected on 8 May 2014, being five Business Days following admission of the New Ordinary Shares to AIM.

The purpose of this document is to set out the background to, and reasons for, the Fundraising and the Share Capital Reorganisation, provide Qualifying Shareholders with the terms and conditions of the Open Offer, explain the Resolutions to be proposed at the General Meeting and recommend to Shareholders that they vote in favour of the Resolutions to be proposed at the General Meeting.

Should Shareholders not approve Resolutions 1 and 2, which provide the Directors with the authority to issue the securities pursuant to the Fundraising, the Fundraising, as currently envisaged, will not proceed. Consequently, the Absa Debt Facility will also not proceed.

The Fundraising and the Absa Debt Facility are also conditional on, *inter alia*, the Company's subsidiary LMDC entering into the Revised Mining Lease Agreement with the Lesotho Government. The Company is in advanced negotiations regarding the terms of the Revised Mining Lease Agreement with the Lesotho Government but, in the event that satisfactory agreement between the parties cannot be met by 28 April 2014 and the Revised Mining Lease Agreement is not entered into by such time, the Fundraising and the Absa Debt Facility are highly unlikely to proceed.

If the relevant Resolutions are not passed or any of the other conditions precedent to the Fundraising and/or the Absa Debt Facility are not satisfied or waived, the Company will not have sufficient funds to build and commission the Main Treatment Plant and associated infrastructure at Liqhobong. Accordingly, in such circumstances, the Board would need to consider the Company's options in relation to the Liqhobong Diamond Mine and its general corporate strategy and resultant working capital position, as the Company would have extremely limited working capital resources available to it at that point and the Group may not be able to continue to trade as a going concern without undertaking a successful fundraising.

Taking account of the consequences for Shareholders if Resolutions 1 and 2 are not passed at the General Meeting and the support for the Placing provided by certain Shareholders, the Directors have no reason to believe that Resolutions 1 and 2 will not be approved. The Directors also believe that all the other conditions precedent to the Fundraising and the Absa Debt Facility can be satisfied by 30 April 2014. However, the Revised Mining Lease Agreement remains, at this time, subject to final negotiations with the Lesotho Government and whilst the Board believes that significant progress is being made, the Revised Mining Lease Agreement is reliant on both parties being able to reach satisfactory agreement by 28 April 2014.

2. Background to and reasons for the Fundraising

Firestone is an international diamond development company with operations focused on Lesotho and Botswana. The Company's current focus and key asset is the Liqhobong Diamond Mine located in the Lesotho highlands (in which the Group has a 75 per cent. interest, with the remaining interest held by the Lesotho Government). Lesotho is emerging as one of Africa's significant new diamond producers, and hosts Gem Diamonds' Letseng Mine, Firestone's Liqhobong Diamond Mine, as well as Namakwa Diamonds' Kao Mine and Mothae development project.

The Company's particular focus is in developing the Main Treatment Plant and supporting infrastructure at the Liqhobong Diamond Mine, which, when operational, is anticipated to produce approximately 1 million carats of diamonds per annum. Trial production commenced at Liqhobong in July 2011 following the commissioning of a pilot plant, which produced in excess of 325,000 carats until it ceased production in October 2013. Through the operation of the pilot plant, the Company has been able to confirm the quality, grade and size of stones present at Liqhobong, as well as providing valuable information on the characteristics of the ore body.

As a result, the Company completed the definitive feasibility study for Liqhobong ("**DFS**") in October 2012 which set out the basis for an open pit mine with a 15 year life together with the Main Treatment Plant capable of an annual production of 3.6 million tonnes yielding in excess of 1 million carats.

On 5 November 2013, the Company announced an update to the DFS which included a revalidated initial capital expenditure for the Project of South African Rand 1,854 million (which based on exchange rates as at the day of the Announcement is equal to approximately US$185.4 million), which included the full cost of grid power infrastructure required for the Project. In addition, the updated DFS confirmed the strong base case economics for Liqhobong and demonstrated significant upside potential if anticipated revenues from large stones (plus 100 carats) are included.

The updated DFS, which assumed a 3 per cent. growth in the diamond price with all costs being kept flat from the DFS, set out a base case post tax NPV for Liqhobong (using US$107 per carat and applying an 8 per cent. discount rate) of approximately US$379 million and post tax IRR of 30 per cent. and an upside post tax NPV, taking account of the potential revenues from larger stones (100 carats plus) (using US$156 per carat and applying an 8 per cent. discount rate) of approximately US$728 million and post tax IRR of 45 per cent.

Since the publication of the DFS, the Company has been focused on raising the required funding to develop the Main Treatment Plant and required infrastructure at Liqhobong and, on 25 November 2013, Firestone announced that Absa Bank had received approval from its credit committee to provide the Absa Debt Facility of up to US$82.4 million (£50.3 million) to LMDC (which is 75 per cent. owned by the Company and 25 per cent. owned by the Lesotho Government), which owns 100 per cent. of Liqhobong, further details of which are set out at paragraph 4 below. Good progress is being made in relation to finalising the agreements relating to the Absa Debt Facility and satisfying the conditions precedent.

The Fundraising (excluding the Open Offer) along with the Absa Debt Facility, completes the US$222.4 million (£135.6 million) (before expenses) of financing for the construction and commissioning of the Main Treatment Plant and required infrastructure at Liqhobong, with full nameplate production expected to commence in early 2016, including all associated working capital, expenses, financing and central costs through to production.

The proceeds from the Open Offer are not required to complete the construction and commissioning of the Main Treatment Plant, but the Board recognises, and is grateful for, the continued support from Shareholders and wishes that Qualifying Shareholders who have not participated in the Placing have the opportunity to participate in the Fundraising on the same terms as the Placees. Shareholders who have participated in the Placing have agreed not to take up their entitlement under the Open Offer. The Directors propose that the net proceeds received from the Open Offer will be allocated for general working capital purposes of the Group.

Further details regarding the Fundraising are set out at paragraph 3 of this Part I and at Part III and IV of this document.

3. Details of the Fundraising

The Company is proposing to raise, assuming the issue of the maximum number of New Ordinary Shares pursuant to the Open Offer, gross proceeds of approximately US$146.7 million (£89.5 million) (before expenses) by the issue of 2,373,091,087 New Ordinary Shares at the Issue Price (being 3 pence per New Ordinary Share) and pursuant to the Mezzanine Facility.

The Directors have given consideration as to the best way to structure the proposed fundraising having regard to, *inter alia*, the amount of money required for the development of the Main Treatment Plant and the associated infrastructure, and the Board considers the structure of the Fundraising and the Absa Debt Facility to be the most suitable fundraising structure available to the Company and Shareholders.

The Open Offer provides Qualifying Shareholders with the opportunity to participate in the Fundraising at the same price as the Subscription and the Placing by acquiring Open Offer Shares at the Issue Price *pro rata* to their holding of Existing Ordinary Shares as at the Record Date with the option to subscribe for more pursuant to the Excess Application Facility.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared in respect of such Ordinary Shares by reference to a record date falling after the date of issue of the New Ordinary Shares.

3.1 *Financing agreements with Pacific Road and RCF VI*

The Company has agreed in principle a funding package with Pacific Road and RCF VI, two new strategic investors, for the development of the Liqhobong Diamond Mine, raising, in aggregate, US$100 million (£61 million) (before expenses), by way of the Mezzanine Facility and the Subscription. The Announcement stated that as part of the funding package, Pacific Road and RCF VI would each provide a bridge facility of US$5 million and the monies outstanding under the bridge facility would be applied towards subscription. It has been agreed subsequently between the parties that such facility will not be entered into but instead the Subscription will be increased from, in aggregate, US$60 million to US$70 million. The Company confirms that, as a result of the bridge facility no longer being entered into by the parties and the corresponding increase in the Subscription, the monies to be raised from and the New Ordinary Shares to be issued to each Pacific Road and RCF VI will not change.

The Mezzanine Facility Agreement and the Subscription Agreements are in advanced draft and are expected to be entered into in the near future and in any event by 28 April 2014. The terms of the Mezzanine Facility and the Subscription are set out below and in more detail at Part IV of this document. In addition, Pacific Road and RCF VI will each receive Warrants to subscribe for 243,932,186 new Ordinary Shares at a price of 3.75 pence, representing a 25 per cent. premium to the Placing Price.

Mezzanine Facility

The Mezzanine Facility of, in aggregate, US$30 million (£18.3 million) will be provided on the basis of US$15 million (£9.1 million) from each of Pacific Road and RCF VI to the Group. It is proposed that the Mezzanine Facility will have an interest rate of eight per cent. per annum payable

quarterly in arrears. Interest payments are payable in cash save that the Group may, at its discretion, elect to satisfy such payment by way of the issue of new Ordinary Shares. Further, the Mezzanine Facility Agreement will be conditional, *inter alia*, upon:

- Shareholders approving Resolutions 1 and 2; and
- entry into the Revised Mining Lease Agreement by all relevant parties.

The Group will pay each of Pacific Road and RCF VI an establishment fee equal to 4.5 per cent. of US$15 million (£9.1 million) in cash upon establishment of the facility (which will occur immediately after Admission).

Whilst the Mezzanine Facility remains outstanding, the Company will not be able to pay any dividends or reduce its capital without the prior consent of Pacific Road and RCF VI (acting reasonably, such consent not to be withheld if the payment of such dividend or reduction in capital is not reasonably likely to affect the interests of Pacific Road and/or RCF VI or constitute a material adverse effect on the Company).

Further details regarding the proposed terms of the Mezzanine Facility are set out at paragraph 2.1 of Part IV of this document.

Equity subscriptions by Pacific Road and RCF VI

Pacific Road and RCF VI will each subscribe for 711,468,878 New Ordinary Shares at the Issue Price, raising, in aggregate, US$70 million (£42.7 million) (before expenses). The Subscription Agreements will be conditional, *inter alia*, upon:

- Shareholders approving Resolutions 1 and 2; and
- entry into the Revised Mining Lease Agreement by all relevant parties.

On completion of the Fundraising, Pacific Road and RCF VI will each hold 711,468,878 New Ordinary Shares, representing approximately 22.4 per cent. of the Enlarged Share Capital and, in aggregate, approximately 44.9 per cent. of the Enlarged Share Capital.

The Subscription Shares to be issued to Pacific Road and RCF VI will rank *pari passu* in all respects with the Existing Ordinary Shares (and the Placing Shares, Open Offer Shares, Creditor Shares and Fee Shares in issue following Admission) including the right to receive all dividends and other distributions declared by reference to a record date falling after the date of Admission.

Further details regarding the proposed terms of the Subscription Agreements are set out at paragraph 2.3 of Part IV of this document.

Warrants

As part of the funding package being provided by Pacific Road and RCF VI, each will receive warrants to subscribe for 243,932,186 new Ordinary Shares at a price of 3.75 pence per Ordinary Share, representing a 25 per cent. premium to the Issue Price. Further details regarding the Warrants are set out at paragraph 2.2 of Part IV of this document.

Following the Share Capital Reorganisation, the number of shares which may be subscribed for by each of Pacific Road and RCF VI pursuant to the Warrant will be 24,393,218 Capital Reorganisation Shares at an exercise price of 37.5 pence per Capital Reorganisation Share.

On exercise of the Warrants in full, assuming the Company has not issued any further Ordinary Shares, apart from the New Ordinary Shares to be issued pursuant to the Fundraising, the Creditor Shares and the Fee Shares, Pacific Road and RCF VI will each hold approximately 26.1 per cent. of the Company's then enlarged share capital and combined will hold, in aggregate, approximately 52.2 per cent. of the Company's then enlarged share capital.

3.2 ***The Placing***

The Company has conditionally raised a further US$40 million (£24.4 million) (before expenses) through the placing of, in aggregate, 813,107,289 New Ordinary Shares at the Issue Price with new and existing investors procured by GMP and Mirabaud. The Placing Shares will represent 25.6 per cent. of the Enlarged Share Capital.

As the issue and allotment of the Placing Shares (along with the Subscription Shares and the Open Offer Shares) will exceed the Directors' existing authorities to allot shares for cash on a non pre-emptive basis, the General Meeting is being called to seek Shareholders' approval to grant new authorities. The Placing is conditional upon the Placing Agreement becoming or being declared unconditional in all respects by 30 April 2014 and the Placing Agreement not having been terminated in accordance with its terms prior to Admission. The Placing Agreement is conditional, *inter alia*, upon:

- the passing of Resolutions 1 and 2;
- the satisfaction and/or waiver of all of the conditions precedent contained in the Absa Debt Facility, the Mezzanine Facility Agreement and the Subscription Agreements (other than relating to Admission and receipt of the proceeds of the Placing); and
- admission of the Subscription Shares and the Placing Shares.

All of the Placing Shares have been placed with institutions and other investors and are not therefore being offered to existing Shareholders and do not form part of the Open Offer. There is no ability to "claw-back" Placing Shares from the Placing under the Open Offer. The Placing Shares will, upon issue, rank *pari passu* with Existing Ordinary Shares (and the Open Offer Shares, Subscription Shares, Creditor Shares and Fee Shares in issue following Admission) including the right to receive all dividends and other distributions declared by reference to a record date falling after the date of Admission.

All Placees which were Shareholders as at the Record Date have undertaken not to exercise their Open Offer Entitlements but instead will only participate in the Fundraising via the Placing.

Further details regarding the Placing Agreement are set out in paragraph 2.4 of Part IV of this document.

3.3 ***The Open Offer***

Subject to fulfilment of the conditions set out below and in Part III of this document, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the basis of:

2 Open Offer Shares for every 11 Existing Ordinary Shares then held

Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility.

Qualifying Shareholders must have held Existing Ordinary Shares at the Record Date to be eligible to participate in the Open Offer. Those Shareholders who did not hold Ordinary Shares as at close of business on 14 January 2014 may not participate in the Open Offer but will be entitled to vote at the General Meeting.

Qualifying Shareholders who held less than 11 Existing Ordinary Shares on the Record Date will not receive an Open Offer Entitlement but may apply for Excess Shares pursuant to the Excess Application Facility.

Qualifying Shareholders who have participated in the Placing have agreed not to participate in the Open Offer.

Shareholders' attention is drawn to paragraph 5 of this Part I which addresses the Share Capital Reorganisation which is to be effected on 8 May 2014.

The Open Offer is conditional upon:

- the passing of Resolutions 1 and 2;
- the satisfaction and/or waiver of all of the conditions precedent contained in the Placing Agreement (other than relating to Admission); and
- admission of the Open Offer Shares to AIM by 30 April 2014.

In the event that any of these conditions are not satisfied, or where applicable waived, by 30 April 2014, or such later date as the Company may decide (being no later than 8.00 a.m. on 30 May 2014), the Open Offer will not proceed. In such circumstances, application monies will be returned at the applicant's risk without payment of interest, as soon as practicable thereafter.

Assuming the full amount is raised under the Open Offer, the issue of the Open Offer Shares will raise further gross proceeds of approximately US$6.7 million (£4.1 million) (before expenses) for the Company. The Directors propose that the net proceeds received from the Open Offer will be allocated for general working capital purposes of the Group.

The Open Offer Shares will, upon issue, rank *pari passu* with the Existing Ordinary Shares (and the Placing Shares, Subscription Shares, Creditor Shares and Fee Shares in issue following Admission) including the right to receive all dividends and other distributions declared by reference to a record date falling after the date of Admission.

Fractions of Open Offer Shares will not be allotted; instead, each Qualifying Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number. The fractional entitlements may be aggregated and made available via the Excess Application Facility.

Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating the Open Offer Entitlements.

Excess Application Facility

Provided that they take up their Open Offer Entitlement in full, Qualifying Shareholders may apply to subscribe for Excess Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to apply to subscribe for more than their Open Offer Entitlement will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 4.2.3 of Part III of this document for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

Applications for Excess Open Offer Entitlements will be satisfied only and to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlements. Once subscriptions by Qualifying Shareholders under their respective Open Offer Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Qualifying non-CREST Shareholders

If you are a Qualifying non-CREST Shareholder you will have received an Application Form with this document which gives details of your maximum entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (whether in respect of your Open Offer Entitlement or both your Open Offer Entitlement and any Excess Open Offer Entitlements), you should complete the accompanying Application Form in accordance with the procedure for application set out in paragraph 4.1.4 of Part III of this document and on the Application Form itself.

Qualifying CREST Shareholders

If you are a Qualifying CREST Shareholder and do not hold any Ordinary Shares in certificated form, no Application Form accompanies this document and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your maximum entitlement under the Open Offer except (subject to certain exceptions) if you are an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of a Restricted Jurisdiction. Applications by Qualifying CREST Shareholders for Excess Open Offer Entitlements in excess of their Open Offer Entitlements should be made in accordance with the procedures set out in paragraph 4.2.3 of Part III of this document, unless you are an Overseas Shareholder in which event, applications should be made in accordance with the procedures set out in paragraph 6 of Part III of this document.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 25 April 2014. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part III of this document.

3.4 ***Other information relating to the Fundraising***

Should Shareholders not approve Resolutions 1 and 2, which provide the Directors with the authority to issue the securities pursuant to the Fundraising, the Fundraising, as currently envisaged, will not proceed. Consequently, the Absa Debt Facility will also not proceed.

The Fundraising and the Absa Debt Facility are also conditional on, *inter alia*, the Company's subsidiary LMDC entering into the Revised Mining Lease Agreement with the Lesotho Government. The Company is in advanced negotiations regarding the terms of the Revised Mining Lease Agreement with the Lesotho Government; but, in the event that satisfactory agreement between the parties cannot be met by 28 April 2014 and the Revised Mining Lease Agreement is not entered into by such time, the Fundraising and the Absa Debt Facility are highly unlikely to proceed.

If the relevant Resolutions are not passed or any of the other conditions precedent to the Fundraising and/or the Absa Debt Facility are not satisfied or waived, the Company will not have sufficient funds to build and commission the Main Treatment Plant and associated infrastructure at Liqhobong. Accordingly, in such circumstances, the Board would need to consider the Company's options in relation to the Liqhobong Diamond Mine and its general corporate strategy and resultant working capital position, as the Company would have extremely limited working capital resources available to it at that point and the Group may not be able to continue to trade as a going concern without undertaking a successful fundraising.

Taking account of the consequences for Shareholders if Resolutions 1 and 2 are not passed at the General Meeting and the support for the Placing provided by certain Shareholders, the Directors have no reason to believe that Resolutions 1 and 2 will not be approved. The Directors also believe that all the other conditions precedent to the Fundraising and the Absa Debt Facility can be satisfied by 30 April 2014. However, the Revised Mining Lease Agreement remains, at this time, subject to final negotiations with the Lesotho Government and whilst the Board believes that significant progress is being made, the Revised Mining Lease Agreement is reliant on both parties being able to reach satisfactory agreement by 28 April 2014.

The Fundraising will, assuming the issue of the maximum number of New Ordinary Shares pursuant to the Open Offer, result in the issue of in aggregate 2,373,091,087 New Ordinary Shares (representing, in aggregate, approximately 74.8 per cent. of the Enlarged Share Capital). The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing

Ordinary Shares and therefore rank equally for all dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares. No temporary documents of title will be issued.

Following the issue of the New Ordinary Shares pursuant to the Fundraising and the Creditor Shares and Fee Shares, and prior to exercise of the Warrants, Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will undergo a dilution of up to 76.2 per cent. to their interests in the Company. Qualifying Shareholders who take up some, all or in excess of their entitlements in respect of the Open Offer will experience a less substantial dilution to their interests in the Company as a result of the Fundraising.

3.5 ***Pacific Road and RCF VI's interest in the Company and implications of the Fundraising***

Details of the effect of the Fundraising, and the resulting shareholdings of Pacific Road and RCF VI (ignoring the effects of the Share Capital Reorganisation), are set out in the illustrative table below:

	No. of Ordinary Shares currently held	*No. of New Ordinary Shares to be issued on Admission (excluding the exercise of the Warrants)*	*No. of Ordinary Shares held following Admission (excluding the exercise of the Warrants)*	*% of Enlarged Share Capital*	*No. of New Ordinary Shares to be issued on exercise of the Warrants*	*No. of Ordinary Shares held following the exercise of the Warrants*	*% of then enlarged share capital*
Pacific Road	—	711,468,878	711,468,878	22.4%	243,932,186	955,401,064	26.1%
RCF VI	—	711,468,878	711,468,878	22.4%	243,932,186	955,401,064	26.1%
Other shareholders	753,753,234	994,115,472	1,747,868,706	55.1%	—	1,747,868,706	47. 8%
Total	753,753,234	2,417,053,228	3,170,806,462	100.0%	487,864,372	3,658,670,834	100.0%

Note: Assumes on Admission the issue of the maximum number of Open Offer Shares pursuant to the Open Offer. Also includes the Creditor Shares and the Fee Shares to be issued on Admission.

As set out above, Shareholders should be aware that on completion of the Fundraising (and assuming the issue of the maximum number of Open Offer Shares pursuant to the Open Offer):

- Pacific Road will have an interest in approximately 22.4 per cent. of the Enlarged Share Capital and, should Pacific Road exercise the Warrants in full, a further 243,932,186 New Ordinary Shares will be issued to them and they would then, assuming RCF VI has also exercised their Warrants in full and the Company has not issued any further shares, be interested in approximately 26.1 per cent. of the Company's then enlarged issued share capital; and
- RCF VI will have an interest in approximately 22.4 per cent. of the Enlarged Share Capital and, should RCF VI exercise the Warrants in full, a further 243,932,186 New Ordinary Shares will be issued to them and they would then, assuming Pacific Road has also exercised their Warrants in full and the Company has not issued any further shares, be interested in approximately 26.1 per cent. of the Company's then enlarged issued share capital.

As a result, on completion of the Fundraising (and assuming the issue of the maximum number of Open Offer Shares pursuant to the Open Offer) and prior to the exercise of the Warrants, Pacific Road and RCF VI will each be able to convene a general meeting of the Company pursuant to section 303 of the 2006 Act and, assuming all Shareholders vote, should Shareholders with an interest in, in aggregate, 27.6 per cent. of the Enlarged Share Capital vote with either Pacific Road or RCF VI, Pacific Road or RCF VI would then be able to pass or block an ordinary resolution of the Company.

In addition, if Shareholders with an interest in, in aggregate, 52.6 per cent. of the Enlarged Share Capital vote with either Pacific Road or RCF VI, Pacific Road or RCF VI would then be able to block a special resolution of the Company.

On exercise of the Warrants and assuming the Company has not issued any further Ordinary Shares, Pacific Road and RCF VI will each then hold in excess of 26.1 per cent. of the then enlarged issued share capital of the Company and they will each therefore be able to block a special resolution of the Company.

Assuming no additional Ordinary Shares are issued between Admission and the Share Capital Reorganisation Date, the proportionate interests of Pacific Road, RCF VI and the Placees in the issued share capital of the Company following Admission as set out above will remain the same following completion of the Share Capital Reorganisation.

Pacific Road and RCF VI have confirmed to the Company that they are currently independent of each other and that they are not, pursuant to an agreement or understanding (whether formal or informal), co-operating to obtain or consolidate control of the Company or to frustrate the successful outcome of an offer for the Company. On completion of the Fundraising (and assuming the maximum number of Open Offer Shares are issued pursuant to the Open Offer) they will have a combined interest in, in aggregate, approximately 44.9 per cent. of the Enlarged Share Capital and on the exercise of the Warrants in full, and assuming the Company has not issued any further shares, they will have a combined interest in, in aggregate, approximately 52.2 per cent. of the Company's then enlarged issued share capital.

As a result, on completion of the Fundraising (and assuming the maximum number of Open Offer Shares are issued pursuant to the Open Offer) and prior to exercise of the Warrants, in the event that Pacific Road and RCF VI voted the same way on a resolution of the Company or sought to act together, assuming all Shareholders vote, they would require Shareholders with an interest in, in aggregate, 5.1 per cent. of the Company's issued share capital to vote with them to be able to pass or defeat an ordinary resolution of the Company. In addition, should Shareholders with an interest in, in aggregate, 30.1 per cent. of the Enlarged Share Capital vote with both Pacific Road and RCF VI, such special resolution of the Company would be passed.

Furthermore, on exercise of the Warrants and assuming the Company has not issued any further Ordinary Shares, they would each be able to block a special resolution of the Company and together be able to pass or defeat an ordinary resolution of the Company and, assuming all Shareholders vote, would require Shareholders with an interest in, in aggregate, 22.8 per cent. of the Company's then enlarged issued share capital to vote with them to be able to pass a special resolution of the Company, such as approving the cancellation of the Company's admission to trading on AIM.

As the Company is subject to the City Code, neither Pacific Road nor RCF VI will be able to increase their holding in the Company to equal to or greater than 30 per cent. of the Company's then issued share capital without a waiver to Rule 9 of the City Code being granted by the Panel and approved by the independent Shareholders. In accordance with Rule 9 of the City Code, a waiver would only be granted where Pacific Road's or RCF VI's holdings in the Company increased to equal to or greater than 30 per cent. of the Company's then issued share capital as a result of new Ordinary Shares being issued or the Company buying back Ordinary Shares, not as a consequence of either party purchasing Ordinary Shares in the market. In the event that a waiver was not granted and either of Pacific Road or RCF VI increased their holdings in the Company to equal to or greater than 30 per cent. of the Company's then issued share capital such entity would be required to make a mandatory offer for the entire issued and to be issued share capital of the Company in accordance with Rule 9 of the City Code.

Should Pacific Road and RCF VI become a concert party (as defined in the City Code) they would have an interest in, assuming exercise of the Warrants in full and that the Company has not issued any further Ordinary Shares, in aggregate, 52.2 per cent. of the Company's then enlarged issued share capital being greater than 50 per cent. of the Company's then issued share capital, which is the minimum acceptance condition required pursuant to an offer subject to the City Code.

Accordingly, should Pacific Road and RCF VI become a concert party, they would together have statutory control of the Company.

This would also allow them to launch an offer with an acceptance condition set at a level that would guarantee that the offer would become unconditional as to acceptances. **As a result, they could declare any offer unconditional as to acceptances immediately on launch of that offer and consolidate control of the Company, particularly as, following the offer, they could further increase their interests in the Company without requiring a waiver to Rule 9 of the City Code or triggering a further offer.**

It is intended that going forward the Board will not be greater than eight and that for as long as Pacific Road and RCF VI each hold more than 10 per cent. of the issued share capital of the Company, they will each be able to nominate one Director to the Board.

On the exercise of all of their respective Warrants, Pacific Road and RCF VI will each be entitled to nominate such number of Directors to the Board that is equal to their percentage holding in the Company, rounded down to the nearest whole number.

Therefore on the basis of a Board of eight and on conversion of all of the Warrants in full, assuming no further Ordinary Shares have been issued following Admission, Pacific Road and RCF VI will each hold approximately 26.1 per cent. of the Company's then enlarged share capital. Accordingly:

- Pacific Road will be able to appoint two Directors to the Board for as long as it holds more than 25 per cent. of the Company's issued share capital; and
- RCF VI will be able to appoint two Directors to the Board for as long as it holds more than 25 per cent. of the Company's issued share capital.

4. The Absa Debt Facility

The Company has agreed in principle, subject to the satisfaction or waiver of certain conditions precedent, the Absa Debt Facility whereby Absa shall grant LMDC a project debt finance facility of up to US$82.4 million (£50.3 million) (before expenses) which will be used for the purposes of building and commissioning of the Project.

The terms of the Absa Debt Facility will include a total term of 6.5 years, with an 18 month draw down period for construction and with the repayment of capital occurring in the final 4.5 years of the loan term.

The Absa Debt Facility will be conditional on, *inter alia*:

- approval of both commercial and political risk insurance by an Export Credit Agency;
- the Company successfully raising the balance of capital required to complete the Project represented by the Fundraising;
- the Company obtaining the Revised Mining Lease Agreement; and
- other customary conditions standard for facilities of this nature including completion of legal and environmental due diligences, documentation and the signing of material contracts.

Good progress is being made in relation to finalising the legal documentation required for the Absa Debt Facility and satisfying the conditions precedent to the Absa Debt Facility.

5. Share Capital Reorganisation

5.1 *Structure*

The Board believes that, following completion of the Fundraising, the ordinary share capital of the Company should be consolidated as this will result in a more appropriate number of shares being in issue for a company of Firestone's size in the UK market. The Share Capital Reorganisation may also help to make the Ordinary Shares more attractive to investors and may result in a narrowing of the bid/offer spread, thereby improving liquidity.

It is intended that the Share Capital Reorganisation will be effected five Business Days following admission of the New Ordinary Shares to AIM.

The Share Capital Reorganisation will be effected by way of the following steps:

(i) all Ordinary Shares in issue at the Share Capital Reorganisation Record Date will be consolidated on the basis of one ordinary share of 10 pence each for every 10 Ordinary Shares; and

(ii) immediately following such share consolidation, each ordinary share of 10 pence each will be subdivided and converted into one Capital Reorganisation Share of one pence each and one B Deferred Share of nine pence each.

For purely illustrative purposes, examples of the effect of the Share Capital Reorganisation are set out below:

Number of Ordinary Shares held at the Share Capital Reorganisation Record Date	*Number of Capital Reorganisation Shares*	*Number of B Deferred Shares*
Less than 10	0	0
10	1	1
50	5	5
100	10	10
5,000	500	500
50,000	5,000	5,000

5.2 ***Ordinary Shares***

The Capital Reorganisation Shares will have the same rights and benefits as the Ordinary Shares.

As a consequence of the Share Capital Reorganisation each Shareholder's holding of Ordinary Shares will (ignoring fractional entitlements) immediately following the Share Capital Reorganisation becoming effective be one tenth of the number of Ordinary Shares held by them on the Share Capital Reorganisation Record Date. Accordingly, any Shareholder holding less than 10 Ordinary Shares at the Share Capital Reorganisation Record Date will not be entitled to Capital Reorganisation Shares. Each Shareholder who holds 10 or more Ordinary Shares will be issued with Capital Reorganisation Shares on the basis set out at paragraph 5.1 above. Such Shareholder's proportionate interest in the Company's issued ordinary share capital will remain unchanged (save for the dilution which will have resulted from the issue of the New Ordinary Shares) as a result of the proposed Share Capital Reorganisation.

If the Share Capital Reorganisation is approved by Shareholders at the General Meeting, it is expected that the last day of trading on AIM in the Ordinary Shares will be 7 May 2014. It is expected that the Capital Reorganisation Shares will be admitted to trading on AIM with ISIN GB00BKX59Y86 at 8.00 a.m. on 8 May 2014.

New share certificates in relation to the Capital Reorganisation Shares will be dispatched to Shareholders who hold their Ordinary Shares in certificated form by 15 May 2014. The new share certificates will be sent by pre-paid first class post, at the risk of the relevant holder of Ordinary Shares, to the registered address of that holder or, in the case of joint holders, to the one whose name appears first in the register of members. On receipt of the new share certificates all ordinary share certificates previously issued will no longer be valid and should be destroyed. Until a holder of certificated Ordinary Shares receives a new share certificate, transfers of certificated Ordinary Shares will be certified against the register of members.

Shareholders who hold their entitlement in uncertificated form through CREST will have their CREST accounts adjusted to reflect their entitlement to Capital Reorganisation Shares.

5.3 ***Fractional Entitlements***

Holders of fewer than 10 Ordinary Shares at the Share Capital Reorganisation Record Date will not be entitled to receive a Capital Reorganisation Share or a B Deferred Share following the Share Capital Reorganisation and will therefore no longer be shareholders of the Company.

Shareholders with a holding in excess of 10 Ordinary Shares at the Share Capital Reorganisation Record Date, but which is not exactly divisible by 10, will have their holding of Capital Reorganisation Shares rounded down to the nearest whole number of Capital Reorganisation Shares following the Share Capital Reorganisation. Such Shareholders will also be entitled to a fractional entitlement to a Capital Reorganisation Share. Any fractional entitlements arising on the Share Capital Reorganisation will be aggregated and sold in the market on behalf of the Shareholders entitled to the fractions. If the net proceeds of sale are three pounds (£3.00) or more per any entitled Shareholder, then such proceeds of sale will be paid to the relevant Shareholder. If such net proceeds amount to less than three pounds (£3.00) for any entitled Shareholder, they will be retained by the Company. The value of any Shareholder's fractional entitlement will not exceed the value of one Capital Reorganisation Share.

5.4 ***B Deferred Shares***

The B Deferred Shares created will be effectively valueless as they will not carry any rights to vote or dividend rights. In addition, holders of B Deferred Shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of the Capital Reorganisation Shares have received a payment of £1,000,000 on each such share. The B Deferred Shares will not be listed or traded on AIM and will not be transferable without the prior written consent of the Board. No share certificates will be issued in respect of the B Deferred Shares, nor will CREST accounts of shareholders be credited in respect of any entitlement to B Deferred Shares. It is intended that, in due course, all the B Deferred Shares will be repurchased by the Company for an aggregate of £1 and cancelled.

5.5 ***Changes to the Articles***

The Company proposes to adopt new articles of association which will include the rights and restrictions attaching to the B Deferred Shares as set out above. A copy of the proposed New Articles may be obtained from the Company's registered office.

5.6 ***Share Option Schemes***

The Directors will make appropriate adjustments to the number of shares under option or award granted under the Share Option Schemes and the exercise price. Any adjustments will be made in accordance with the rules of the relevant plan or award.

6. Use of proceeds

The total funds raised from the Fundraising (excluding the Open Offer) and the Absa Debt Facility (before expenses) will be approximately US$222.4 million (£135.6 million) and will be used for the following purposes:

	US$ (millions)
Main Treatment Plant	77.0
Infrastructure	23.1
Slimes Dam	30.0
Contingency	12.3
Subtotal	142.4
Firestone owners costs*	43.0
Total Main Treatment Plant	185.4
Financing costs, transaction expenses and general working capital	37.0
Total	222.4

*Note: *Includes owners contingency, cost escalation provision, grid power, owners scope, insurances, water storage and security etc.*

The proceeds of the Fundraising (excluding the Open Offer) and the Absa Debt Facility are expected to provide all of the financing that the Board currently believes is required to build and commission the Main Treatment Plant, with full nameplate production expected in early 2016, including all the associated working capital, financing and central costs.

The proceeds from the Open Offer (being up to approximately US$6.7 million (£4.1 million) (before expenses)) are not required to complete the construction and commissioning of the Main Treatment Plant and will be allocated for general working capital purposes of the Group.

7. Current trading and future prospects

The Company released its interim results on 6 March 2014. As announced previously, the pilot plant ceased production in October 2013 and planning and logistical contracts are currently being completed for early stage preparation of the required infrastructure to begin construction of the Main Treatment Plant in 2014. In addition to this, the Company is finalising the recruitment of the project team (appointing Mr Glenn Black as the chief project officer on 27 February 2014) and continues to advance the engineering and planning phases of the Project to ensure that all relevant conditions precedent are met prior to funding drawdown. It is currently anticipated, subject to Admission, that all major construction related contracts will be finalised and that construction will start in Q2 2014.

However, in the event that the Fundraising and/or the Absa Debt Facility does not proceed, the Board will need to consider the Company's options in relation to the Liqhobong Diamond Mine and its general corporate strategy and resultant working capital position. The Company would have extremely limited working capital resources available to it at that point and the Group may not be able to continue to trade as a going concern without undertaking a successful fundraising.

8. Creditor Shares

As disclosed in the Group's annual financial statements for the year ended 30 June 2013, the Company entered into a two year off-take agreement in relation to the supply of its minus 11 diamond sieve size stones from the Company's Liqhobong diamond production, pursuant to which the off-take partner agreed to purchase such diamonds from the Company. However, following the Company's decision to cease operations at the pilot plant, in order to allow for site preparation prior to the construction of the Main Treatment Plant, the Company is no longer able to fulfil its requirements under the off-take agreement. Accordingly, the Company has agreed to pay the off-take partner US$1.8 million, in full and final settlement of all monies owed to the off-take partner under the off-take agreement, to be settled through the issue of 36,318,934 Creditor Shares at the Issue Price on completion of the Fundraising.

9. Share options and remuneration

Pursuant to the Company's Executive Option Scheme, the Company has agreed to grant Stuart Brown, Chief Executive Officer of Firestone, options to acquire 91,012,812 new Ordinary Shares, representing 2.87 per cent. of the Enlarged Share Capital at the Issue Price on completion of the Fundraising.

The options to be granted to Stuart Brown will have a life of 10 years and one third of the award will vest on the second anniversary of the award date, one third of the award will vest on the third anniversary of the award date and the final one third of the award will vest on establishment of successful nameplate production (plant construction and commissioning complete) of the Project.

The Company is also seeking authority for the issue of further options to acquire 60,675,208 new Ordinary Shares, representing 1.91 per cent. of the Enlarged Share Capital, to be granted to management and employees going forward pursuant to the terms of the Share Option Schemes.

The Board has also agreed, following the recommendation of the Company's remuneration committee, to make certain payments to certain Non-Executive Directors in respect of additional services rendered to the Company over and above their normal duties as Non-Executive Directors (together the "**NED Remuneration**"). The Board has agreed to make payments to the value of US$126,000 and US$50,000 to Lucio Genovese and Julian Treger respectively, to be settled on completion of the Fundraising, through the issue of 2,561,287 and 1,016,384 Fee Shares respectively at the Issue Price. In addition, the Board

has agreed to make a payment to the value of US$250,000 to Frog Ventures Limited, a company of which Braam Jonker is a director and beneficiary, conditional on the Absa Debt Facility being finalised, of which US$200,000 will be settled through the issue of 4,065,536 Fee Shares at the Issue Price and US$50,000 will be payable in cash. In addition, the Board has also agreed to a further cash payment of US$30,000 to Frog Ventures Limited.

10. Related party transactions

Stuart Brown, the chief executive officer of Firestone, has participated in the Placing, subscribing for 4,858,319 Placing Shares at the Issue Price and, following completion of the Placing, he will be interested in 4,858,319 Ordinary Shares representing 0.15 per cent. of the Enlarged Share Capital. In addition, as set out above, the Company will grant Mr Brown options to acquire 91,012,812 new Ordinary Shares at the Issue Price on completion of the Fundraising.

Clients of Audley Capital Management Ltd, which is advised by Audley Capital Advisors LLP of which Julian Treger, a non-executive Director, is a partner, currently have an interest in, in aggregate, 10.7 per cent. of the current issued share capital of the Company, and have subscribed for 49,802,821 Placing Shares at the Issue Price as part of the Placing.

As explained in the Announcement, the issue of Placing Shares pursuant to the Placing to Mr Brown and to clients of Audley Capital Management Ltd, the grant of options to Mr Brown at the Issue Price and the NED Remuneration (as described in paragraph 9 above) constitute related party transactions under the AIM Rules for Companies. The Directors, except for Mr Brown, Mr Genovese, Mr Jonker and Mr Treger, consider, having consulted with the Company's nominated adviser, Strand Hanson, that the terms on which the Placing Shares will be issued to Stuart Brown and to clients of Audley Capital Management Ltd, the terms on which the options have been granted to Mr Brown and the terms of the NED Remuneration are fair and reasonable insofar as the Shareholders are concerned.

Legal and General and Montoya Investments Ltd ("**Montoya**") are both substantial shareholders in the Company as defined in the AIM Rules for Companies, in that they currently each have an interest in more than 10 per cent. of the Company's current issued share capital.

Legal and General and Montoya have each agreed to subscribe for Placing Shares at the Issue Price as part of the Placing and, accordingly, the issue of Placing Shares to Legal and General and Montoya constitute related party transactions in accordance with the AIM Rules for Companies. The Directors consider, having consulted with the Company's nominated adviser, Strand Hanson, that the terms on which the Placing Shares will be issued to each of Legal and General and Montoya are fair and reasonable insofar as its Shareholders are concerned.

11. Directors' Interests

Following completion of the Fundraising, the grant of options and the NED Remuneration (as described above and ignoring the effects of the Share Capital Reorganisation), the interests of the Directors in the Company are, and will be, as follows:

Director	*No. of Ordinary Shares currently held*	*New Ordinary Shares to be issued on Admission*	*Total Ordinary Shares held following Admission*	*% of Enlarged Share Capital*	*Number of options held over Ordinary Shares under the Company's Share Option Schemes*
Mr Brown	—	4,858,319	4,858,319	0.15	91,012,812
Mr Genovese	12,881,269	2,561,287	15,442,556	0.49	9,000,000
Mr Jonker	4,293,154	4,065,536	8,358,690(1)	0.26	3,000,000
Mr Sobie	—	—	—	—	—
Mr Treger	13,300,342(2)	1,016,384	14,316,726(3)	0.45	3,000,000
Mr Wittet	—	—	—	—	—

Notes:

* *The above assumes no Open Offer Shares are issued to Directors pursuant to the Open Offer and no new or existing options are granted or exercised prior to Admission. It also assumes the issue of the maximum number of Open Offer Shares pursuant to the Open Offer.*

(1) On Admission, Mr Jonker will be interested in 8,358,690 Ordinary Shares, being 4,293,154 Ordinary Shares held directly by Mr Jonker and 4,065,536 Ordinary Shares held by Frog Ventures Limited, a company of which Mr Jonker is a director and beneficiary.

(2) Mr Treger is currently interested in 13,300,342 Ordinary Shares, being 1,698,283 Ordinary Shares held directly by Mr Treger and 11,602,059 Ordinary Shares held by trusts of which Mr Treger is a beneficiary. Mr Treger is also a partner in Audley Capital Advisors LLP, which advises clients with an aggregate interest in 80,536,877 Ordinary Shares. As a result, Mr Treger is currently interested in, in aggregate, 93,837,219 Ordinary Shares.

(3) On Admission, Mr Treger will be interested in 14,316,726 Ordinary Shares, being 2,714,667 Ordinary Shares held directly by Mr Treger and 11,602,059 Ordinary Shares held by trusts of which Mr Treger is a beneficiary. Mr Treger is also a partner in Audley Capital Advisors LLP, which advises clients who will have an interest in, in aggregate, 130,339,698 Ordinary Shares on Admission. As a result, Mr Treger will be interested in, in aggregate, 144,656,424 Ordinary Shares which will represent approximately 4.6 per cent. of the Enlarged Share Capital.

In addition to the above, Paul Sobie holds 150,000 options granted to him on 19 December 2007, when he was not a Director, with an exercise price of 20p.

Assuming no additional Ordinary Shares are issued between Admission and the Share Capital Reorganisation Record Date, the proportionate interests of the Directors in the issued share capital of the Company following Admission as set out above will remain the same following completion of the Share Capital Reorganisation.

12. General Meeting

A notice convening a General Meeting of the Company, to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.00 a.m. on 28 April 2014 is set out at the end of this document at which the Resolutions authorising the Directors to allot the New Ordinary Shares, the Warrants, the Creditor Shares, the Share Options and the Fee Shares on a non pre-emptive basis will be proposed as well as a resolution to effect the Share Capital Reorganisation.

The Fundraising is conditional, *inter alia,* on the passing of Resolutions 1 and 2.

12.1 *Resolutions*

Resolution 1 – Authority to allot New Ordinary Shares

Resolution 1 will be proposed as an ordinary resolution to grant authority to the Directors, in accordance with section 551 of the 2006 Act, to allot or to grant rights to subscribe for or convert any security into shares in the capital of the Company up to:

(a) an aggregate nominal amount of £23,730,910.87 in connection with the Fundraising;

(b) an aggregate nominal amount of £4,878,643.72 in connection with the grant of the Warrants;

(c) an aggregate nominal amount of £363,189.34 in connection with the allotment of the Creditor Shares;

(d) an aggregate nominal amount of £1,516,880.20 (automatically reducing to £151,688.02 following completion of the Share Capital Reorganisation) in connection with the grant of the Share Options to Mr Brown and to management and employees in accordance with the Share Option Schemes;

(e) an aggregate nominal amount of £76,432.07 in connection with the allotment of the Fee Shares,

such authority shall be in substitution for all previous authorities and shall expire three years following the passing of Resolution 1.

Resolution 2 – Disapplication of Pre-Emption Rights in relation to New Ordinary Shares

Conditional upon the passing of Resolution 1, Resolution 2 will be proposed as a special resolution to disapply the statutory pre-emption rights contained in section 561(1) of the 2006 Act in respect of the allotment for cash of up to:

(a) an aggregate nominal amount of £23,730,910.87 in connection with the Fundraising;

(b) an aggregate nominal amount of £4,878,643.72 in connection with the grant of the Warrants;

(c) an aggregate nominal amount of £363,189.34 in connection with the allotment of the Creditor Shares;

(d) an aggregate nominal amount of £1,516,880.20 (automatically reducing to £151,688.02 following completion of the Share Capital Reorganisation) in connection with the grant of the Share Options to Mr Brown and to management and employees in accordance with the Share Option Schemes;

(e) an aggregate nominal amount of £76,432.07 in connection with the allotment of the Fee Shares,

such authority shall be in substitution for all previous authorities and shall expire three years following the passing of Resolution 2.

Resolutions 3 and 4 – General Authorities to allot Ordinary Shares and disapply pre-emption rights

Conditional upon the passing of Resolutions 1 and 2, Resolution 3 will be proposed as an ordinary resolution to grant a general authority to the Directors to allot ordinary shares in the capital of the Company or to grant rights to subscribe for or convert any security into shares in the capital of the Company pursuant to section 551 of the 2006 Act, being up to an aggregate nominal amount of £10,569,354.87 (automatically reducing to £1,056,935.48 following completion of the Share Capital Reorganisation). This authority will represent one-third of the Enlarged Share Capital (the Open Offer) and is in line with the existing share authorities granted at the Company's last annual general meeting held on 29 November 2013. This authority shall expire on the earlier of 31 December 2014 or the Company's next annual general meeting. The Directors have no present intention to exercise this authority.

Conditional upon the passing of Resolution 3, Resolution 4 will be proposed as a special resolution to disapply the statutory pre-emption rights contained in section 561(1) of the 2006 Act in respect of the allotment for cash of Ordinary Shares. Otherwise than in connection with a rights or similar issue, the authority contained in this resolution will be limited to an aggregate nominal amount of up to £3,170,806.46 (automatically reducing to £317,080.64 following completion of the Share Capital Reorganisation). This authority will represent approximately ten per cent. of the Enlarged Share Capital and is in line with the Directors' existing share authorities granted in respect of the disapplication of section 561(1) of the 2006 Act granted at the Company's last annual general meeting held on 29 November 2013. This authority shall expire on the earlier of 31 December 2014 or the Company's next annual general meeting. The Directors have no present intention to exercise this authority.

Resolution 5 – approval of the Share Capital Reorganisation

Resolution 5 is conditional upon the passing of Resolutions 1 and 2 and will be proposed as a special resolution to approve and effect the Share Capital Reorganisation including the adoption of the New Articles which will be the same as the existing Articles save that they shall contain the rights of the B Deferred Shares.

12.2 ***Additional information relating to the General Meeting***

Shareholders will find accompanying this document a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, UK so as to arrive no later than 10.00 a.m. on 24 April 2014. Completion and return of the Form of Proxy

will not affect Shareholders' right to attend and vote in person at the General Meeting if they so wish. Further information regarding the appointment of proxies can be found within the notes to the Notice of General Meeting which can be found at the end of this document.

Any Qualifying Shareholders who have sold their Ordinary Shares after the Record Date shall be entitled to participate in the Open Offer but as such persons are no longer Shareholders shall not be entitled to vote at the General Meeting and consequently shall not have been sent a Form of Proxy with this document.

In the case of non-registered Shareholders who receive these materials through their broker or other intermediary, the Shareholder should complete and send a letter of direction in accordance with the instructions provided by their broker or other intermediary.

13. Overseas Shareholders

Information for Overseas Shareholders who have registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom appears in paragraph 6 of Part III of this document, which sets out the restrictions applicable to such persons. If you are an Overseas Shareholder, it is important that you pay particular attention to that section of this document.

14. Additional Information

Your attention is drawn to the risk factors and the additional information including details of the Open Offer as set out in Parts II, III and IV of this Document.

15. Directors' Recommendation

The Directors consider the Fundraising and the grant of the Warrants to Pacific Road and RCF VI, the allotment and issue of the Creditor Shares, the grant of the Share Options to Stuart Brown, the allotment and issue of the Fee Shares and the Share Capital Reorganisation to be in the best interests of the Company and its Shareholders as a whole.

Accordingly, Mr Sobie and Mr Wittet, being those Directors who have not participated in the Fundraising and who are not receiving Share Options and/or Fee Shares, unanimously recommend that Shareholders vote in favour of Resolutions 1 and 2 to be proposed at the General Meeting and all Directors unanimously recommend that Shareholders vote in favour of Resolutions 3 to 5 to be proposed at the General Meeting. All Directors who hold Ordinary Shares (either directly or indirectly) (being, in aggregate 4.04 per cent. of the Existing Ordinary Shares) have irrevocably undertaken to vote or procure the legal holder votes in favour of the Resolutions.

Yours faithfully

Lucio Genovese
Chairman

PART II

RISK FACTORS

The Open Offer, the diamond industry and the Ordinary Shares are subject to a number of risks. An investment in the Open Offer Shares is therefore highly speculative and involves a high degree of risk. You should carefully consider the risk factors set out below as well as the other information contained in this document before making a decision with respect to the Open Offer. The risks described below are not the only risks that the Group faces. Additional risks and uncertainties that the Directors are not aware of or that the Directors currently believe are immaterial may also impair the Group's operations. Any of these risks may have a material adverse effect on the Group's business, financial position, results of operations and prospects. In that case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. You should consider carefully whether an investment in the Open Offer Shares is suitable for you in light of the information in this document and your personal circumstances. Before making an investment decision, you are strongly advised to consult an investment adviser authorised under FSMA who specialises in investments of this kind.

The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in the Company. In particular, the Company's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory and tax requirements.

Operational and Industry Risks

Construction and Commissioning Risks

It is expected that full nameplate production will be in place by early 2016. To meet this timetable, construction and commissioning of the Main Treatment Plant will be dependent on the effective support of the Group's personnel, systems, procedure and controls as well as external factors including weather and public infrastructure. Delays in the construction or commissioning of the Main Treatment Plant due to technical, infrastructure or force majeure events may result in the Group's current projected target dates for completion of the Main Treatment Plant being delayed or further capital expenditure being required. The Group will not generate any material income until construction of the Main Treatment Plant has been completed.

Production Risks

The Group's production targets will be subject to the completion of the Main Treatment Plant on time and according to budget. Delays in completion of the Main Treatment Plant may also result in delays in production with a consequent material adverse impact on the business, operations and financial performance of the Group. Further, in order to maintain sufficient cash flows to service the Absa Debt Facility and the Mezzanine Facility, it will be necessary for the Liqhobong Diamond Mine to be commissioned on time and within budget and to maintain an adequate state of steady production once operational, with an economically viable throughput of kimberlite ore. Any material impact on production or materially adverse decline in global diamond prices could have a materially adverse effect on the results of the operations, financial position or prospects for the Group.

Exploration, Development and Mining Risks

The successful exploration, development and mining of diamonds is subject to a number of risks and hazards which even a combination of careful evaluation, experience and knowledge may not eliminate. These risks include environmental hazards, industrial accidents, fires, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions (for example, heavy snowfall). These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, reduced production and delays in mining, asset write-downs, monetary losses and possible legal liability.

In addition, Lesotho is susceptible to seasonal rains, droughts, flooding and snow. Such rains, flooding or snow, if heavy and sustained, or such droughts, if prolonged, could limit the Group's construction of the Main Treatment Plant, further hinder the supply of resources to such assets or result in significant delays to the completion of the Main Treatment Plant, leading to a delay in commercial production and achieving name plate production.

Estimates of reserves and resources

The estimation of the Group's resources and reserves and their anticipated production profiles comply with standard evaluation methods generally used in the international mining industry. In respect of these estimates, no assurance can be given that the anticipated revenues, tonnages and grades will be achieved, that the indicated level of recovery will be realised or that the kimberlitic resources can be mined or processed profitably. Actual resources may not conform to expectations and the volume and grade of ore recovered may be below the estimated levels. There can be no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production. Reserve data are not indicative of future results of operations. If the Group's actual reserves and resources are less than current estimates, the Group's results or operations or financial position may be materially and adversely affected.

Diamond Market Risks

The business of the Group is focused on the exploration and mining of diamonds. The marketability of diamonds is affected by and dependent on numerous factors beyond the control of the Group, the precise effects of which cannot be accurately predicted. These factors include market fluctuations, general economic activity, action taken by other diamond companies or nations where diamonds are mined, the supply of rough diamonds to the market, consumer demand for polished diamonds and the availability and pricing of other substitute material (including synthetic diamonds), government regulation relating to taxation, royalties, production levels, imports and exports, land tenure and land use, mining licences, health and safety and the environment.

Depending on demand and pricing within the diamond market, the Group may determine that it is not economically feasible to commence commercial production which could have an adverse impact on the Group's business, results of operations and financial condition. In such circumstances the Group may curtail or suspend some or all of its production activities.

Title and Licenses

The Group requires a number of licenses, leases, approvals, permits and regulatory consents, in respect of its operations including the Revised Mining Lease Agreement as well as work and environment permits (collectively, "**Authorisations**"). The Group has obtained or is in the process of obtaining, amending, renewing or revising all Authorisations, which are material to the construction and operation of the Main Treatment Plant and the mining of the Liqhobong Diamond Mine following construction of the Main Treatment Plant. In the event that the Company cannot obtain all the necessary Authorisations (including the Revised Mining Lease Agreement) the Company may not be able to build and commission the Main Treatment Plant and the associated infrastructure of Liqhobong.

The political, legal and regulatory regime within Lesotho is still developing and there can be no assurance that the Group has or will have every necessary or desirable Authorisation required at any one time to conduct the Group's operations. Any delays in being awarded the relevant Authorisations may delay completion of the Main Treatment Plant which may affect the Group's financial position. Furthermore, there is a risk that such Authorisations could be terminated, revoked, withdrawn, suspended, unavailable for renewal following expiry or become commercially unviable.

The Group is currently negotiating the Revised Mining Lease Agreement. The Directors believe that the Revised Mining Lease Agreement will be granted on acceptable terms but there can be no guarantee that this will occur. In the event that the Revised Mining Lease Agreement is granted on less favourable terms to the Group this may have a material adverse effect on its business, results or operations or financial condition.

Whilst the Group has investigated its title to and rights over interests in and relating to its mining assets and rights, this should not be construed as a guarantee of the Group's title to such assets. The Group's assets may be subject to prior unregistered agreements or transfers that have not been recorded or detected through title research and title may be affected by undetected defects. There can be no assurance that title to some of the Group's assets will not be challenged or impugned.

Single Principal Asset

The Liqhobong Diamond Mine is the Group's main asset and once the Main Treatment Plant is in production it will be the Group's main source of revenue. In the event that the Liqhobong Diamond Mine is unable to maintain a steady-state of production, whether due to operational failings or *force majeure* events, then a reduction in budgeted targets or the suspension of operations at the Liqhobong Diamond Mine could have a material adverse effect on the financial position of the Group. In particular, it could result in the Group defaulting on the repayment of the Mezzanine Facility and the Absa Debt Facility.

Availability of and access to infrastructure

The Group's mining, processing, development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supplies. Any failure or unavailability of the infrastructure on which the Group's operations rely could adversely affect the production output from its mines or impact its exploration activities or the development of a mine or a project. If the infrastructure used by the Group is affected, it could have a material adverse effect on the Group's business, results or operations or financial condition.

Risk of theft

The Group has established security systems, procedures and arrangements in place across the extraction, processing and diamond recovery chain. Despite the best efforts of management, there can be no guarantee that there will be no occurrences of theft of diamonds from the Group's operations. Whilst the Group shall maintain insurance against such theft in an amount it considers to be adequate, once the Main Treatment Plant is operational, in certain circumstances its insurance may not cover or be adequate to cover any such theft, in which case the Group could incur significant costs that could materially and adversely affect its results of operations.

Management Risks

The Group's business is highly dependent on the Chief Executive and the Group is in the process of hiring a senior management team with the relevant expertise for developing the Main Treatment Plant. There can be no certainty that the services of such key personnel will continue to be available to the Group as competition for such personnel is intense in the mining industry. Factors critical to retaining the Group's present staff and attracting and recruiting additional qualified personnel include, *inter alia*, the Group's ability to provide these individuals with competitive compensation arrangements. If the Group is not successful in retaining or attracting qualified individuals in key management and operational positions, its business may be adversely affected.

Competition

The diamond mining business is highly competitive in all its phases. The Group competes with numerous other companies, several of which have greater financial, technical and other resources than the Group, for the acquisition of assets as well as the recruitment and retention of qualified employees and other personnel.

Insurance Risks

Although the Board believes the Group carries (or will carry prior to commencement of construction of the Main Treatment Plant) adequate insurance with respect to its activities in accordance with industry practice, in certain circumstances its insurance may not cover or be adequate to cover the consequences of such events. Furthermore, insurance fully covering many environmental risks including potential liability for pollution or other hazards as a result of the containment of waste water (or "slimes") is not generally available to the Group or to other companies in the mining industry. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition, results or operations of the Group.

Litigation Risks

While the Group is not party to any litigation, there can be no guarantee that current or future actions of the Group will not result in litigation. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceedings will not have a material effect on the Group's financial position or results of operations.

Availability of equipment and materials

The construction of the Main Treatment Plant will be dependent on the availability of equipment, and materials which the Group may have difficulty sourcing in the timeframe envisaged by the Group's plans due to global demand for such equipment and materials.

The Group is seeking to establish supplies of, and relationships with suppliers of, all the equipment and materials required to construct the Main Treatment Plant, but there can be no guarantee that these supplies or relationships will be achieved. Furthermore, competitors with greater financial resources and larger order books may be favoured by suppliers where materials are in relatively short supply. Any lack of, or delay in the supply of, equipment, materials or services could materially delay the development of the Main Treatment Plant and thereby negatively and materially affect its results or operations.

If the Group is forced to change a supplier, there is no guarantee that this would not result in the Group experiencing additional costs, interruptions to supply continuity or some other adverse effect on its business. There is also no guarantee that the Group will be able to find adequate replacement equipment, materials or services on a timely basis or at all.

Reliance on third party contractors

The Group will also be reliant on third parties to provide certain services with regards to the development of the Main Treatment Plant. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships could be detrimental to the future business, operating results and/or profitability of the Group. To the extent that the Group cannot engage contractors according to its plans and budgets, its financial and operational performance may be adversely impaired.

In certain circumstances, the Group may be liable for the acts or omissions of its contractors. If a third party pursues claims against the Group as a result of the acts or omissions of the Group's contractors, the Group's ability to recover from such contractors may be limited. Recovery under such arrangements may involve delay, management time, costs and expenses or may not be possible at all which, in each case, could adversely affect the Group's financial performance and condition.

Work Force Risks

Much of the work to be undertaken both in relation to the construction of the Main Treatment Plant and following its completion production at the Liqhobong Diamond Mine will be dependent on locally sourced employees. The Directors believe that the Group has good relationships with its employees but work slow-downs, stoppages or other labour related developments or disputes involving employees could potentially result in a delay in the development of the Main Treatment Plant and a delay or decrease in production going forward which in turn could impact the Group's financial performance and condition.

The success of the Group's operations also depends on its ability to hire sufficient skilled and qualified people locally. The Group may struggle to recruit and retain engineers, consultants and other important members of the workforce required to build and commission the Main Treatment Plant due to shortages of labour, or of skilled workers, or the unavailability or over commitment of consultants, which may cause delays to completion of the Project.

Environmental Risks

The Group's operations are subject to environmental regulation. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Environmental legislation and permitting are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Economic, Financial and Political Risks

Currency Risks, Exchange Rate Fluctuations and Exchange Control Regulations

The Company is exposed to a number of different currency risks between the South African Rand, Lesotho Maloti, US dollar, sterling and Botswana Pula. The Group values and sells its diamonds in US dollars and then converts the proceeds to sterling, Maloti and Pula as required. As the Group reports in sterling, reported revenue is affected by changes in exchange rates between the above currencies. The Group's expenses in Botswana, South Africa and Lesotho are incurred in Pula, Rand and Maloti respectively. The value of the Maloti is set on a 1:1 basis to the Rand. A significant fluctuation in the operating currencies or the US$ could have a material adverse effect on the business, financial position and result of operations in the Group.

Whilst at present the Group is not adversely affected by strict controls on access to foreign currency and the repatriation of funds, any change in foreign exchange regulations in the jurisdictions in which the Group operates could have a material adverse effect on its business and operations, and there can be no assurance that exchange control restrictions will not be reintroduced in certain countries in which the Group operates.

Economic Risk

In common with other early stage emerging market economies, many African countries (where all of the Group's assets are located) are dependent on sale proceeds from primary commodity production which are subject to fluctuations in world commodity prices. In general, these economies have also experienced devaluations, high inflation and high interest rates. All these economic risks may from time to time adversely affect the Group's operations. Historically, commodity prices (including diamonds) have displayed wide ranges and are affected by the numerous factors over which the Company does not have any control. These include world production levels, international economic trends, expectations for inflation, speculative activity, consumption patterns and global or regional political events.

Geopolitical Risk

Lesotho is a small nation bordered on all sides by the Republic of South Africa and is reliant on its larger neighbour for the supply of food, fuel, and goods and services. Consequently, economic and political events in the Republic of South Africa may have an adverse effect on Lesotho's economy, political system, infrastructure and population which may subsequently have an adverse effect on the Company's operations and financial position.

New Legislation Risk

The mining industry in Lesotho and consequently the Group may also be susceptible to radical changes in government policy in the country in which it operates, leading to the repatriation or nationalisation of its mining assets or other government or regulatory materially adverse controls being imposed on such assets. The Company is aware that the Lesotho Government is working towards implementing new mining legislation during the latter part of 2014 which will regulate both ownership and taxation of mining assets within Lesotho (the "**New Mining Legislation**"). At present, there is no specific taxation legislation for mining companies in Lesotho. Currently taxation of mining companies operating in Lesotho is covered by the current income tax regulations for companies. There can be no assurance that the current taxation arrangements in Lesotho will remain unchanged. A green paper has been circulated by the Lesotho Government and the Group has submitted its comments to the Government in respect of this. However, at this time it is unclear as to how the New Mining Legislation will affect the Group as the legislation has not yet been promulgated. Any new legislation could adversely impact the Group's title or interests or rights in its Project or could have a material adverse effect on its business, results, operations or financial condition.

Political Risk

Democratic political processes have been restored in Lesotho since 1998 and the country has undergone two parliamentary elections under the restored political system. However, the executive, legislative and judicial branches of government are still maturing and there remains a level of volatility to the parliamentary process which could undermine the democratic system of government in Lesotho. For example, in 2012 a coalition government was formed following inconclusive elections. Disruptions to the democratic process in Lesotho may adversely impact the Group's ability to construct and operate the Project to the consequential detriment of the Group's business, financial position and performance.

Lesotho also has a less developed legal system than more established economies, which may result in risks such as: (i) potential difficulties in obtaining effective legal redress in its courts, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance when interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts. In addition, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. Any difficulties faced by the Group arising from these uncertainties could have an adverse effect on the Group's business, financial condition and prospects.

Acts of God and contagious diseases

Acts of God such as natural disasters and outbreaks of highly contagious diseases are beyond the control of the Group and may adversely affect the economy, infrastructure and livelihood of people in the countries in which the Group is operating or proposing to operate and other parts of the world. The Group's business and profitability may be adversely affected should such acts of God and/or outbreaks occur and/or continue.

Bribery and corruption

The Group operates in a range of regions where its representatives may be exposed to potentially corrupt practices. There is no guarantee that the Group's policies will successfully protect the Group from such practices and their legal and financial consequences.

Open Offer and Ordinary Share Risks

Passing of Resolutions and satisfaction or waiver of other conditions precedent to the Fundraising and the Absa Debt Facility

Resolution 1 to be proposed at the General Meeting will be proposed as an ordinary resolution and, in order to be passed, will require the support of a simple majority of the total voting rights of Shareholders who (being entitled to do so) vote on such resolution at the General Meeting. Resolution 2 to be proposed at the General Meeting will be proposed as a special resolution and, to be passed, will require the support of not less than 75 per cent. of the total voting rights of Shareholders who (being entitled to do so) vote on such resolution at the General Meeting. The Fundraising is conditional, *inter alia*, on the passing of Resolutions 1 and 2.

The Fundraising and the Absa Debt Facility are also conditional on, *inter alia*, the Company's subsidiary LMDC entering into the Revised Mining Lease Agreement with the Lesotho Government. The Company is in advanced negotiations regarding the terms of the Revised Mining Lease Agreement with the Lesotho Government but, in the event that satisfactory agreement between the parties cannot be met by 28 April 2014 and the Revised Mining Lease Agreement is not entered into by such time, the Fundraising and the Absa Debt Facility are highly unlikely to proceed.

If the relevant Resolutions are not passed or any of the other conditions precedent to the Fundraising and/or the Absa Debt Facility are not satisfied or waived, the Company will not have sufficient funds to build and commission the Main Treatment Plant and associated infrastructure at Liqhobong. Accordingly, in such circumstances, the Board would need to consider the Company's options in relation to the Liqhobong Diamond Mine and its general corporate strategy and resultant working capital position, as the Company would have extremely limited working capital resources available to it at that point and the Group may not be able to continue to trade as a going concern without undertaking a successful fundraising.

Issue of New Ordinary Shares

The proportionate ownership and voting interest in the Company of holders of Ordinary Shares will be reduced pursuant to the Fundraising. In addition, to the extent that Shareholders do not take up the Open Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their Existing Ordinary Shares represents of the Enlarged Share Capital will be reduced accordingly. Subject to certain exceptions, Shareholders in the United States, Canada and other Restricted Jurisdictions will not be able to participate in the Open Offer.

Volatility in price of New Ordinary Shares

The Issue Price may not be indicative of the market price for the New Ordinary Shares following Admission. The market price of' the New Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the Company, the sector or equities generally, any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors, the operating and share price performance of other companies in the industries and markets in which the Group operates, news reports relating to trends in the Group's markets or the wider economy and the publication of research analysts' reports regarding the Company or the sector generally.

Liquidity of the Ordinary Shares and AIM generally

An investment in the Ordinary Shares is highly speculative and subject to a high degree of risk. Application will be made for the New Ordinary Shares to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. Neither the London Stock Exchange nor the UKLA have examined this document for the purposes of Admission. An investment in the Ordinary Shares may be difficult to realise and the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Group and its operations and some, which may affect quoted companies generally. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment, or sustain a total loss of their investment. The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

Taxation Risk

Any change in the Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change.

Investment Risk

The value of an investment in the Company could, for a number of reasons go up or down. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

The risks listed above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment offered in this circular may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, who is authorised under the FSMA and who or which specialises in investments of this kind before making a decision to invest.

PART III

TERMS AND CONDITIONS OF THE OPEN OFFER

To Qualifying Shareholders

1. Introduction

As explained in Part I of this document, the Company is proposing to issue up to 137,046,042 Open Offer Shares pursuant to the Open Offer to raise up to approximately US$6.7 million (£4.1 million) (before expenses) assuming the maximum number of Open Offer Shares is issued pursuant to the Open Offer.

The Open Offer is an opportunity for Qualifying Shareholders to apply for Open Offer Shares *pro rata* to their holdings on the Record Date at the Issue Price of 3 pence per Open Offer Share subject to the terms and conditions of the Open Offer (as set out in this Part III of the document) ("**Terms and Conditions**") and, in the case of Qualifying non-CREST Shareholders, the Application Form. Upon Completion of the Open Offer, assuming the maximum number of Open Offer Shares is issued pursuant to the Open Offer, the Open Offer Shares will represent approximately 4.32 per cent. of the Enlarged Share Capital.

Qualifying Shareholders must have held Existing Ordinary Shares at the Record Date to be eligible to participate in the Open Offer.

Qualifying Shareholders who hold less than 11 Existing Ordinary Shares will not receive an Open Offer Entitlement but may apply for Excess Shares pursuant to the Excess Application Facility.

Application Forms are expected to be posted to Qualifying non-CREST Shareholders on or around the date of this document and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST on 14 April 2014. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 25 April 2014 with Admission of the Open Offer Shares expected to take place at 8.00 a.m. on 30 April 2014.

Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their stock accounts in CREST in respect of the Open Offer Entitlements which will be enabled for settlement at 8.00 a.m. on 14 April 2014. If the Open Offer Entitlements are for any reason not enabled by 8.00 a.m. on 14 April 2014 (or such later time as the Company may decide), an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Your attention is drawn to paragraph 4 of these Terms and Conditions which gives details of the procedure for application and payment for the Open Offer Shares available under the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 6 of these Terms and Conditions.

The Excess Application Facility is an opportunity for Qualifying Shareholders who have applied for all of their Open Offer Entitlements to apply for additional Open Offer Shares. The Excess Application Facility will be comprised of Open Offer Shares that are not taken up by Qualifying Shareholders under the Open Offer pursuant to their Open Offer Entitlements under the Open Offer. Under the terms of the Placing, those placees who already hold Existing Ordinary Shares have irrevocably undertaken not to take up any of their Open Offer Entitlements. There is no limit on the amount of Open Offer Shares that can be applied for by Open Offer Shareholders under the Excess Application Facility, save that the maximum amount of Open Offer Shares to be allotted under the Excess Application Facility shall be limited by the maximum size of the issue (being US$6.7 million (£4.1million)) less Open Offer Shares issued under the Open Offer pursuant to Qualifying Shareholders' Open Offer Entitlements. Allotments under the Excess Application Facility shall be allocated in such manner as the Directors may determine in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders will be met in part or at all. In the event of oversubscription under the Excess Application Facility the Directors intend to limit applications by Qualifying Shareholders *pro rata* to their aggregate holdings of Existing Ordinary Shares.

In order for the Company to benefit from exemptions to the requirement to prepare a prospectus in connection with the Open Offer, the maximum size of the issue pursuant to the Open Offer is 137,046,042 Open Offer Shares, representing a total consideration of approximately US$6.7million or £4.1 million (being less than €5 million).

Any Qualifying Shareholder who sold or transferred all or part of his/her registered holding(s) of Existing Ordinary Shares prior to 8.00 a.m. on 15 January 2014 when the Existing Ordinary Shares were marked "ex" the entitlement to the Open Offer is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

2. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) which shall be calculated on the basis of:

i) **2 Open Offer Shares for every 11 Existing Ordinary Shares held at the Record Date; and**

ii) **further Open Offer Shares in excess of their Open Offer Entitlement through the Excess Application Facility (although such Open Offer Shares will only be allotted to the extent that not all Qualifying Shareholders apply for their Open Offer Entitlement in full).**

Subject to the Terms and Conditions, applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement.

Qualifying Shareholders who hold less than 11 Existing Ordinary Shares will not receive an Open Offer Entitlement but may apply for Excess Shares pursuant to the Excess Application Facility.

Qualifying Shareholders may apply to acquire less than their Open Offer Entitlement should they so wish. In addition, Qualifying Shareholders may apply to acquire excess Open Offer Shares using the Excess Application Facility. Please refer to paragraphs 4.1.3 and 4.2.3 of these Terms and Conditions for further details of the Excess Application Facility.

If you are a Qualifying non-CREST Shareholder, you will have received an Application Form with this document. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box A).

If you hold your Existing Ordinary Shares through CREST you will have received a credit of Open Offer Entitlements to your CREST stock accounts and should refer to paragraph 4.2 of these Terms and Conditions and also to the CREST Manual for further information on the relevant CREST procedures.

Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Open Offer Entitlements, as will holdings under different designations and in different accounts. The Open Offer Entitlement, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box B on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of their Open Offer Shares representing Open Offer Entitlement standing to the credit of their stock account in CREST.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of excess Open Offer Shares in excess of their Open Offer Entitlement. Qualifying non-CREST Shareholders who wish to apply to subscribe for more than their Open Offer Entitlement should complete Boxes D, E, F and G on the Application Form. Excess applications may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all.

Fractions of Open Offer Shares will not be allotted; instead, each Qualifying Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number. The fractional entitlements may be aggregated and made available via the Excess Application Facility.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Shares representing their Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares available under the Open Offer will have no rights under the Open Offer. Any Open Offer Shares which are not applied for in respect of the Open Offer may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility.

Not all Shareholders will be Qualifying Shareholders. Overseas Shareholders who are located in, or who are citizens of, or have a registered address in certain overseas jurisdictions (including, without limitation, any Restricted Jurisdiction) will not qualify to participate in the Open Offer. The attention of Overseas Shareholders or any other person (including without limitation a custodian, nominee or trustee) who has a contractual or legal obligation to forward this document into a jurisdiction other than the United Kingdom is drawn to paragraph 6 of this Part III.

3. Conditions and Further Terms of the Open Offer

The Open Offer is conditional upon:

- the passing of Resolutions 1 and 2;
- the satisfaction and/or waiver of all of the conditions precedent contained in the Placing Agreement (other than relating to Admission); and
- admission of the Open Offer Shares to AIM by 30 April 2014.

In the event that any of these conditions are not satisfied or where applicable waived, by 30 April 2014, or such later date as the Company may decide (being no later than 8.00 a.m. on 30 May 2014), the Open Offer will not proceed. Accordingly, if any of the conditions are not satisfied or waived the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares under the Open Offer held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form following completion of the Share Capital Reorganisation. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST on 14 April 2014.

All monies received by the Receiving Agent in respect of Open Offer Shares to be issued under the Open Offer will be held in a separate non-interest bearing bank account opened solely for the Open Offer.

The Company reserves the right to shorten or extend the closing time of the Open Offer from 11.00 a.m. on 25 April 2014. In this event, the revised closing time will be published in such manner as the Company determines.

4. Procedure for Application and Payment

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer Shares representing your Open Offer Entitlement and Excess CREST Open Offer Entitlement credited to your CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be issued Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be issued Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2.7 of these Terms and Conditions.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

4.1 If you have an Application Form in respect of your entitlement under the Open Offer:

4.1.1 ***General***

Subject as provided in paragraph 6 of these Terms and Conditions in relation to Overseas Shareholders, Qualifying non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box A. It also shows the maximum number of Open Offer Shares for which they are entitled to apply under the Open Offer set out in Box B. Box C shows how much they would need to pay if they wish to take up their Open Offer Entitlements in full. Any Qualifying non-CREST Shareholders with fewer than 11 Existing Ordinary Shares will not receive an Open Offer Entitlement but may apply for Excess Shares pursuant to the Excess Application Facility (see paragraph 4.1.3 of these Terms and Conditions). Qualifying non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim. Qualifying non-CREST Shareholders may also apply for Excess Shares under the Excess Application Facility by completing Boxes D, E, F and G in the Application Form.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying non-CREST Shareholders.

4.1.2 ***Bona fide market claims***

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex-entitlement" to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 23 April 2014. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box J on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted to any Excluded Overseas Shareholders, or the solicitation of an offer to purchase or subscribe for,

Open Offer Shares is unlawful. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 4.2.2 below.

4.1.3 ***Excess Application Facility***

Qualifying Shareholders who have taken up their Open Offer Entitlement may apply to acquire Excess Shares using the Excess Application Facility, should they wish. Qualifying non-CREST Shareholders wishing to apply for Excess Shares, may do so by completing Boxes D, E, F and G of the Application Form. The maximum number of Open Offer Shares to be issued under the Excess Application Facility (the "**Maximum Excess Application Number**") shall be limited to: (a) the maximum size of the Open Offer (being 137,046,042 Open Offer Shares) less (b) Open Offer Shares issued under the Open Offer pursuant to Qualifying Shareholders' Open Offer Entitlements. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

All enquiries in connection with the procedure for application of Excess CREST Open Offer Entitlements should be made to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

4.1.4 ***Application procedures***

Qualifying non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares to which they are entitled should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be posted in the accompanying pre-paid envelope for use within the UK only or returned by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by hand (during normal business hours only).

All payments must be in sterling and made by cheque or banker's draft made payable to "Capita Registrars Ltd re: Firestone Diamonds plc Open Offer Acceptance A/C" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable on application. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds by printing the Qualifying Shareholder's name on the back of the draft and adding the branch stamp) will be subject to the Money Laundering Regulations which will delay Shareholders receiving their Open Offer Shares (please see paragraph 5 below).

Cheques or banker's drafts will be presented for payment upon receipt. Funds will be held in a non-interest bearing account and no interest will be paid on payments. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

4.1.5 If cheques or banker's drafts are presented for payment before the conditions to the Open Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

(i) Application Forms received after 11.00 a.m. on 25 April 2014; or

(ii) applications in respect of which remittances are received before 11.00 a.m. on 25 April 2014 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

4.1.6 ***Effect of application***

By completing and delivering an Application Form to the Company the applicant:

(i) represents and warrants that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer or the Excess Application Facility, as the case may be, and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees that all applications under the Open Offer and the Excess Application Facility and contracts resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;

(iii) confirms that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company and the Open Offer Shares contained in this document;

(iv) confirms that in making the application he is not relying and has not relied on the Company or any other person affiliated with the Company including its officers, directors, employees, agents and advisers in connection with any investigation of the accuracy of any information contained in this document or his investment decision;

(v) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company;

(vi) represents and warrants that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement or that he received such Open Offer Entitlement by virtue of a *bona fide* market claim;

(vii) represents and warrants that if he has received some or all of his Open Offer Entitlement from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;

(viii) requests that the Open Offer Shares, to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the Articles;

(ix) represents and warrants that he is not, nor is he applying on behalf of an Excluded Overseas Shareholder or a person in any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in the United States or to an Excluded Overseas Shareholder or a person in any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer or the Excess Application Facility; and

(x) represents and warrants that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, UK

Qualifying non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

4.2 If you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer:

4.2.1 ***General***

Subject as provided in paragraph 6 of these Terms and Conditions in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder who holds more than 11 Existing Ordinary Shares will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to apply to acquire under the Open Offer. Those Qualifying CREST Shareholders who hold less than 11 Existing Ordinary Shares but wish to participate in the Excess Application Facility should contact Capita.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlement and Excess CREST Open Offer Entitlement have been allocated.

If for any reason the Open Offer Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited by 14 April 2014, or such later time and/or date as the Company may decide, an Application Form will be sent to each Existing CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, UK.

Please note Capita cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or Excess CREST Open Offer Entitlements. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

4.2.2 ***Market claim***

Each of the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and the Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the Euroclear's Claims Processing Unit as "cum" the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

4.2.3 ***Excess Application Facility***

Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred.

Subject as provided in paragraph 6 of these Terms and Conditions in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Excess Application Facility, Qualifying CREST Shareholders should follow the instructions in paragraph 4.2.6 below and must not return a paper form and cheque.

Should a transaction be identified by the Euroclear's Claims Processing Unit as "cum" the Open Offer Entitlement and the relevant Open Offer Entitlement be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement claim, but will be transferred as a separate claim. Should an Existing CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE Instruction (as defined below) must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

All enquiries in connection with the procedure for applications in respect of Excess CREST Open Offer Entitlements should be made to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, UK.

A credit of Excess CREST Open Offer Entitlements will be made to each Qualifying CREST Shareholder; if a Qualifying CREST Shareholder would like to apply for a larger Excess CREST Open Offer Entitlement, such Qualifying CREST Shareholder should contact Capita to arrange for a further credit of Excess CREST Open Offer Entitlements, subject at all times to the maximum number of Open Offer Shares available.

4.2.4 ***USE Instructions***

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and/or Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event instruction ("**USE Instruction**") to Euroclear which, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements and Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and

(ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

4.2.5 ***Content of USE Instruction in respect of Open Offer Entitlements***

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);

(ii) the ISIN of the Open Offer Entitlement. This is GB00BKWPYZ53;

(iii) the CREST participant ID of the accepting CREST member;

(iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;

(v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;

(vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 28230FIR;

(vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in 4.2.5(i) above;

(viii) the intended settlement date. This must be on or before 11.00 a.m. on 25 April 2014; and

(ix) the corporate action number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 25 April 2014. In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

(x) a contact name and telephone number (in the free format shared note field); and

(xi) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 25 April 2014 in order to be valid is 11.00 a.m. on that day. If the Open Offer does not become unconditional by 8.00 a.m. on 30 April 2014 or such later time and date as the Company determines (being no later than 8.00 a.m. on 30 May 2014), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by an Existing CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies will be retained for the benefit of the Company.

4.2.6 ***Content of USE Instruction in respect of Excess CREST Open Offer Entitlements***

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Excess Shares for which the application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Receiving Agent);

(ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BKWPZ079;

(iii) the CREST participant ID of the accepting CREST member;

(iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;

(v) the participant ID of the Receiving Agent in its capacity as Receiving Agent. This is 7RA33;

(vi) the member account ID of the Receiving Agent in its capacity as Receiving Agent. This is 28230FIR;

(vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2.6(i) above;

(viii) the intended settlement date. This must be on or before 11.00 a.m. on 25 April 2014; and

(ix) the corporate action number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of an Excess CREST Open Offer Entitlement under the Excess Application Facility to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 25 April 2014.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

(i) a contact name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 25 April 2014 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 30 April 2014 or such later time and date as the Company determines (being no later than 8.00 a.m. on 30 May 2014), the Open Offer and the Excess Application Facility will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by an Existing CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies will be retained for the benefit of the Company.

4.2.7 ***Deposit of Open Offer Entitlements into, and withdrawal from, CREST***

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlement and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 April 2014. After depositing their Open Offer Entitlement into their CREST account, CREST holders will, shortly after that, receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by Capita.

In particular, having regard to normal processing times in CREST and on the part of Capita, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as an Open Offer Entitlement and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 22 April 2014 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 17 April 2014 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and Excess CREST Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements prior to 11.00 a.m. on 25 April 2014. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw both their Open Offer Entitlement and the Excess CREST Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 3 of the Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it/they is/are not an Excluded Overseas Shareholder or a person in any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer or the Excess Application Facility by virtue of a *bona fide* market claim.

4.2.8 ***Validity of application***

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 25 April 2014 will constitute a valid application under the Open Offer.

4.2.9 ***CREST procedures and timings***

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer and the Excess Application Facility. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 25 April 2014. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4.2.10 ***Incorrect or incomplete applications***

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

(i) to reject the application in full and refund the payment to the CREST member in question (without interest);

(ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and

(iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

4.2.11 ***Effect of valid application***

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

(i) represents and warrants that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer or the Excess Application Facility, as the case may be, and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);

(iii) agrees that all applications and any contracts or non-contractual obligations resulting therefrom under the Open Offer and the Excess Application Facility shall be governed by, and construed in accordance with, the laws of England and Wales;

(iv) confirms that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any

liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Company and the Open Offer Shares contained in this document;

(v) represents and warrants that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement and Excess CREST Open Offer Entitlement or that he has received such Open Offer Entitlement and Excess CREST Open Offer Entitlement by virtue of a bona fide market claim;

(vi) represents and warrants that if he has received some or all of his Open Offer Entitlement and Excess CREST Open Offer Entitlement from a person other than the Company, he is entitled to apply under the Open Offer and the Excess Application Facility in relation to such Open Offer Entitlement and Excess CREST Open Offer Entitlement by virtue of a *bona fide* market claim;

(vii) subject to certain limited exceptions, requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles;

(viii) represents and warrants that he is not, nor is he applying on behalf of any Shareholder who is an Excluded Overseas Shareholder or a person in any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in the United States or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any other Restricted Jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer or the Excess Application Facility;

(ix) represents and warrants that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;

(xi) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company.

4.2.12 ***Company's discretion as to the rejection and validity of applications***

The Company may in its sole discretion:

(i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in these Terms and Conditions;

(ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE Instruction and subject to such further terms and conditions as the Company may determine;

(iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "**first instruction**") as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving

details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE Instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

4.2.13 ***Lapse of the Open Offer***

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 30 April 2014 or such later date as the Company may decide (being no later than 8.00 a.m. on 30 May 2014), the Open Offer and the Excess Application Facility will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by an Existing CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

5. Anti-Money Laundering Regulations

5.1 *Holders of Application Forms*

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrar or Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the "**acceptor**"), including any person who appears to the Registrar to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5 the "**relevant Open Offer Shares**") shall thereby be deemed to agree to provide the Registrar with such information and other evidence as the Registrar may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of

identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer or under the Excess Application Facility will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Receiving Agent from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

(i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));

(ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

(iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or

(iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (or sterling equivalent).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

(a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, UK; or

(b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita. If the agent is not such an organisation, it should contact Capita.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, UK.

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (or sterling equivalent) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 25 April 2014, Capita has not received evidence satisfactory to it as aforesaid, Capita may, at its discretion, as agent of the Company, reject the relevant application, in

which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

5.2 ***Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST***

If you hold your Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction (which on its settlement constitutes a valid application as described above) constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE Instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. Overseas Shareholders

6.1 ***General***

The distribution of this document and the Application Form and the making or acceptance of the Open Offer to Overseas Shareholders or to persons who are nominees of or custodians, trustees or guardian for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer or the Excess Application Facility.

No action has been or will be taken by the Company or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or Application Form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed. Application Forms will not be sent to, and Open Offer Entitlements nor Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, Excluded Overseas Shareholders or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open

Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory in which the Application Form is received or in which the person is resident or located, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed. It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer or the Excess Application Facility to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

The Company nor any of its respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer or the Excess Application Facility unless the Company determines that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of these Terms and Conditions and specifically the contents of this paragraph 6.

Any person (including, without limitation, custodians, agents, nominees and trustees) outside of the United Kingdom wishing to apply for Open Offer Shares in respect of the Open Offer must satisfy himself or herself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or another Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member who is an Excluded Overseas Shareholder or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Shareholders in jurisdictions outside the United Kingdom other than the United States, Canada, Australia, Japan, New Zealand, the Republic of South Africa or Singapore may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares in accordance with the instructions set out in this document and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident in, or who are citizens of, countries other than the United Kingdom

should, however, consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Shares. Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer or under the Excess Application Facility if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any Shareholder to apply for Open Offer Shares if the Company in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or where such Overseas Shareholder is an Existing CREST Shareholder, through CREST.

7. Contact Telephone Number

Insert in Box H of the Application Form a daytime contact telephone number, including STD, (and, if different, from the person named in section A of the Application Form, the name of the person to contact) in the case of any queries regarding your application.

8. Instructions for Delivery of Completed Application Forms

Completed Application Forms should be returned, by post to Capita. If you post your Application Form, you are recommended to use first class post and to allow at least four working days for delivery. Application Forms received after 11.00 a.m. on 25 April 2014 may be rejected and returned to the first named applicant.

9. Admission, Settlement and Dealings

The result of the Open Offer is expected to be announced on 28 April 2014. Applications will be made to the London Stock Exchange for the Open Offer Shares to be admitted to AIM. Subject to the Fundraising becoming unconditional in all respects, it is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 30 April 2014.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Ordinary Shares arising on the conversion of the Open Offer Shares of the relevant tranche. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 25 April 2014 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE Instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be despatched by post during the week following completion of the Share Capital Reorganisation. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to paragraph 4.1 above and their respective Application Form.

10. Times and Dates

The Company shall, after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall make an announcement on a Regulatory Information Service.

11. Governing Law and Jurisdiction

The terms and conditions of the Open Offer and the Excess Application Facility as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer and the Excess Application Facility, this document or the Application Form. By taking up Open Offer Shares in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

12. Further Information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

An investment in the Open Offer Shares (and the Ordinary Shares arising on Conversion) under the Open Offer is only suitable for institutional investors and professionally advised or financially sophisticated non-advised private investors (including retail investors) who understand and are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result from such an investment. Such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Open Offer. Furthermore, an investment in the Open Offer Shares should constitute part of a diversified investment portfolio. It should be remembered that the price of securities and the income from them can go down as well as up.

PART IV

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (which has and who have taken all reasonable care to ensure that such is the case) the information contained in this document, for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Material Agreements relating to the Fundraising

Set out below are the main agreements relating to the Fundraising. Apart from the Placing Agreement, the other agreements are yet to be entered into but it is expected that they shall be entered into and all conditions precedent shall be satisfied (or waived) by 28 April 2014.

2.1 *Mezzanine Facility*

On 14 January 2014, the Company entered into separate non-binding heads of terms with Pacific Road and RCF VI in relation to the Mezzanine Facility whereby US$15 million (£9.1 million) (in aggregate US$30 million) will be provided by each of Pacific Road and RCF VI to the Group. The Mezzanine Facility will have an interest rate of 8 per cent. per annum payable quarterly in arrears. Interest payments are payable in cash save that the Group may, at its discretion, elect to satisfy such payment by way of the issue of new Ordinary Shares.

The Mezzanine Facility will have a maximum term of 84 months from first drawdown and is repayable at the earlier of this date or on any event of default. The Group has the option to voluntarily repay the Mezzanine Facility without the relevant investor's consent at any time after the fourth anniversary of the last drawdown, subject to the Absa Debt Facility having been repaid in full and subject to certain early repayment fees on the amount repaid.

The Mezzanine Facility will take the benefit of fixed and floating security on all of the Project, supported by Group guarantees and encumbrances, these will be second ranking to the Absa Debt Facility.

The Mezzanine Facility is subject to formal documentation and the satisfaction of a number of conditions precedent that are standard for a facility of this type including:

(i) Pacific Road and RCF VI being satisfied with the form and substance of all necessary governmental and regulatory approvals and the terms of the Revised Mining Lease Agreement between the Company and the Lesotho Government; and

(ii) approval by Shareholders of Resolutions 1 and 2.

The Mezzanine Facility Agreement will contain certain customary undertakings, warranties and representations given by the Group to Pacific Road and RCF VI as to matters relating to the Group and its business.

Whilst the Mezzanine Facility remains outstanding, the Company will not be able to pay any dividends or reduce its capital without the prior consent of Pacific Road and RCF VI (acting reasonably, such consent not to be withheld if the payment of such dividend or reduction in capital is not reasonably likely to affect the interests of Pacific Road and/or RCF VI or constitute a material adverse effect).

The Group will pay each of Pacific Road and RCF VI an establishment fee equivalent to 4.5 per cent. of their US$30 million (£18.3 million) portion of the Mezzanine Facility in cash (and/or New Ordinary Shares in the case of RCF VI) upon establishment of the facility.

Provided that no event of default is subsisting and no requirement under Rule 9 of the City Code to make a mandatory cash offer for all the Ordinary Shares or Capital Reorganisation Shares (as applicable) not already owned by Pacific Road and/or RCF VI (as appropriate) is triggered, the Group may elect that any interest payments contemplated by the Mezzanine Facility, to be made to Pacific Road and RCF VI be satisfied by the issue to Pacific Road and/or RCF VI (as appropriate) of New Ordinary Shares or Capital Reorganisation Shares (as appropriate) at an issue price equal to the 20-day VWAP of an Ordinary Share or Capital Reorganisation Shares (as appropriate). New Ordinary Shares or Capital Reorganisation Shares equal to 20 per cent. of the value of those shares issued to satisfy the interest payment may be issued to HMRC to meet the obligation to withhold income tax from payments of interest.

2.2 ***Warrants***

Pacific Road and RCF VI will each receive warrants to subscribe for 243,932,186 new Ordinary Shares at the Exercise Price, representing a 25 per cent. premium to the Issue Price.

Following completion of the Share Capital Reorganisations, the new Ordinary Shares will be consolidated and Pacific Road and RCF VI will each be able to subscribe for 24,393,218 Capital Reorganisation Shares at an exercise price of 37.5 pence per warrant.

The Warrants will be exercisable at any time prior to the later of 48 months from execution of the instrument granting the warrants and six months after the repayment of the Absa Debt Facility (the "**Subscription Period**"). The terms of the Warrants will include a mandatory exercise provision in the event that: (i) the Ordinary Shares trade on AIM at a price at or above two times the Exercise Price continuously for 60 days; and (ii) the Project completion tests contemplated by the Absa Debt Facility have been satisfied. If a mandatory exercise notice is served on a warrantholder then it will be required to exercise the Warrants within 14 days (the "**Mandatory Exercise Period**"). Save that the Mandatory Exercise Period shall be extended if this would result in the warrantholder's interest (together with the any persons deemed by the Panel to be acting in concert (as defined in the City Code) with the warrantholder) in the Company exceeding 30 per cent. of the voting power in the Company and which would therefore result in an obligation on such warrantholder (together with the any persons deemed by the Panel to be acting in concert with the warrantholder) to make a mandatory offer for the Company in accordance with rule 9 of the City Code. In such an event, the Mandatory Exercise Period shall be extended until the date which falls 10 Business Days after such time as the exercise of the Warrants would not result in an obligation on the warrantholder (together with the any persons deemed by the Panel to be acting in concert with the warrantholder) to make a mandatory bid pursuant to the City Code. If at the expiry of the Subscription Period the mandatory exercise of the Warrants would still result in an obligation on the warrantholder (together with the any persons deemed by the Panel to be acting in concert with the warrantholder) to make a mandatory bid then the Warrants held by the warrantholder will lapse unexercised.

If any monies are outstanding under the Mezzanine Facility at the time of an exercise of Warrants, Pacific Road and/or RCF VI (as appropriate) may, subject to Absa's consent (if required), elect to apply the balance outstanding under the Mezzanine Facility against the amount payable to the Company on the exercise of such Warrants.

The number and/or Exercise Price of the Warrants shall be adjusted in certain circumstances, including an issue of Ordinary Shares for cash at a price less than the prevailing market price (subject to certain customary exceptions) or an issue of bonus shares. Any such adjustment shall put the holders of the unexercised Warrants in the same economic position as if such adjustment event had not taken place.

2.3 ***The Subscription***

It has been agreed in principle that Pacific Road and RCF VI will each subscribe for 711,468,878 New Ordinary Shares at the Issue Price, raising, in aggregate, US$70 million (£42.7 million) (before expenses).

The Subscription Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared by reference to a record date falling after the date of the issue of the Subscription Shares.

Completion of the Subscription will be conditional upon Admission along with a number of other conditions precedent that are standard for an agreement of this type including:

(i) Pacific Road and RCF VI being satisfied with the form and substance of all necessary governmental and regulatory approvals and the terms of the Revised Mining Lease Agreement between the Company and the Lesotho Government; and

(ii) approval by Shareholders of Resolutions 1 and 2.

The Subscription Agreements will contain certain customary undertakings and warranties given by the Company to Pacific Road and RCF VI as to matters relating to the Group and the business.

Pacific Road and RCF VI will have the right to maintain their respective holding of Ordinary Shares and shall be offered rights to participate in any equity funding or instruments that could convert into equity to ensure they maintain their *pro rata* holdings. RCF VI shall also be offered rights to participate in any debt funding, provided that RCF VI is able to provide debt on the same commercial terms as the debt funding that it is proposed that the Company will enter into. These protections exclude non-cash equity issues, and issues to directors and employees not part of a general equity offering.

If either Pacific Road and/or RCF VI hold more than 10 per cent. of the Ordinary Shares in issue, they shall be entitled to nominate one member to the Company's Board. If either Pacific Road and/or RCF VI exercise all their Warrants, then they shall be entitled to nominate members to the Board in proportion to their holdings in the Company.

2.4 ***The Placing Agreement***

On 14 January 2014, the Company entered into the Placing Agreement with GMP and Mirabaud, pursuant to which GMP and Mirabaud, as agents for the Company, have agreed to use their reasonable endeavours to place the Placing Shares with institutional and other investors, including certain existing Shareholders. The Placing is conditional, *inter alia*, upon:

- the passing of Resolutions 1 and 2;
- the satisfaction and/or waiver of all of the conditions precedent contained in the Absa Debt Facility, the Mezzanine Facility Agreement and the Subscription Agreements (other than relating to Admission and receipt of the proceeds of the Placing); and
- admission of the Subscription Shares and the Placing Shares by 30 April 2014.

The Placing Agreement contains certain customary warranties given by the Company to GMP and Mirabaud as to matters relating to the Group and its business and an indemnity given by the Company to GMP and Mirabaud in respect of liabilities arising out of or in connection with the Placing. GMP and Mirabaud are entitled to terminate the Placing Agreement in certain circumstances prior to Admission, including, *inter alia*, a breach of the warranties, the failure of the Company to comply, in any material respect, with its obligations under the Placing Agreement and the occurrence of a force majeure event which, in the reasonable opinion of GMP and Mirabaud, is materially adverse in relation to the Placing or Admission.

3. Availability of this document

This document will be available for a period of at least twelve months from the date of this document on the Company's website, www.firestonediamonds.com, free of charge, including for download, in accordance with the requirements of Rule 26 of the AIM Rules for Companies.

Dated: 11 April 2014

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“2006 Act”	the UK Companies Act 2006
“Absa” or **“Absa Bank”**	Absa Bank Limited, acting through its Corporate and Investment Banking division
“Absa Debt Facility”	the project debt finance facility of up to US$82.4 million (£50.3 million), to be provided by Absa to LMDC
“Admission”	admission of the New Ordinary Shares, the Creditor Shares and the Fee Shares, to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies, as published and amended from time to time by the London Stock Exchange
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies, as published and amended from time to time by the London Stock Exchange
“Announcement”	the announcement made by the Company on 15 January 2014
“Applicant”	a Qualifying Shareholder or a person entitled by virtue of a *bona fide* market claim who lodges an Application Form under the Open Offer
“Application Form”	the application form which accompanies this document on which Qualifying non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
“Articles”	the existing articles of association of the Company as at the date of this document
“B Deferred Shares”	the new B deferred shares of nine pence each arising from the Share Capital Reorganisation
“Board” or **“Directors”**	the directors of the Company from time to time
“Business Day”	any day (other than a Saturday or Sunday) upon which commercial banks are open for business in London
“Capita”	Capita Asset Services, a trading name of Capita Registrars Limited
“Capital Reorganisation Shares”	the new ordinary shares of one pence each in the capital of the Company following the Share Capital Reorganisation
“City Code”	the City Code on Takeovers and Mergers
“Company” or **“Firestone”**	Firestone Diamonds plc
“Creditor Shares”	the 36,318,934 new Ordinary Shares to be issued, in settlement of the liability due under the terminated off-take agreement
“CREST”	the relevant system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the CREST Regulations

"CREST Manual"	the rules governing the operation of CEST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary and Terms promulgated by Euroclear and as amended from time to time)
"CREST member"	a person who has been admitted by Euroclear UK & Ireland as a system-member (as defined in the CREST Regulations)
"CREST participant"	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
"CREST payment"	shall have the meaning given in the CREST Manual issued by Euroclear UK & Ireland
"CREST Regulations"	the Uncertificated Securities Regulations 2001, as amended
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"DFS"	the definitive feasibility study for Liqhobong completed in October 2012
"Disclosure and Transparency Rules"	the disclosure rules and transparency rules made by the UK Listing Authority under Part VI of FSMA (as amended from time to time)
"Enlarged Share Capital"	the issued ordinary share capital of the Company immediately following Admission assuming the issue of the maximum number of Open Offer Shares pursuant to the Open Offer (and including the issue of the Creditor Shares and the Fee Shares)
"euro", **"€"** or **"EUR"**	the lawful currency of the United Kingdom
"Euroclear UK & Ireland"	Euroclear UK & Ireland Limited, the operator of CREST
"Excess Application Facility"	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlements and which may be subject to scaling back in accordance with the provisions of this document in accordance with the terms and conditions of the Open Offer
"Excess CREST Open Offer Entitlements"	in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
"Excess Open Offer Entitlement"	an entitlement for each Qualifying Shareholder to apply to subscribe for Open Offer Shares in addition to his Open Offer Entitlement pursuant to the Excess Application Facility which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document
"Excess Shares"	Open Offer Shares in addition to the Open Offer Entitlement for which Qualifying Shareholders may apply under the Excess Application Facility

"Excluded Overseas Shareholder"	an Overseas Shareholder who is resident in, or who has a registered mailing address in a Restricted Jurisdiction
"Executive Option Scheme"	the Company's Unapproved Executive Share Option Scheme adopted by the Company on 2 April 2012
"Exercise Price"	3.75 pence
"Existing Issued Share Capital"	the issued ordinary share capital of the Company as at the date of this document
"Existing Ordinary Shares"	the existing Ordinary Shares as at the date of this document
"Fee Shares"	the 7,643,207, in aggregate, new Ordinary Shares to be issued to certain directors and related parties as described in this document, in respect of additional services rendered to the Company over and above their normal duties as non-executive Directors
"Form of Proxy"	the form of proxy accompanying this document
"FCA"	the Financial Conduct Authority of the United Kingdom
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Fundraising"	the Mezzanine Facility, the Subscription, the Placing and the Open Offer
"General Meeting"	the general meeting of Shareholders to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 28 April 2014 at 10.00 a.m.
"Group"	the Company together with its subsidiaries from time to time
"GMP"	GMP Securities Europe LLP
"HMRC"	Her Majesty's Revenue & Customs
"ISIN"	International Securities Identification Number
"Issue Price"	3 pence per New Ordinary Share
"Lesotho Government"	the Government of the Kingdom of Lesotho
"Liqhobong" or **"Liqhobong Diamond Mine"** or the **"Project"**	the Liqhobong Diamond Mine which is located in the Lesotho Highlands
"London Stock Exchange"	London Stock Exchange plc
"LMDC"	Liqhobong Mining Development Company (Pty) Limited, which is 75 per cent. owned by Firestone and 25 per cent. owned by the Lesotho Government, which holds 100 per cent. of the Liqhobong Diamond Mine
"Main Treatment Plant"	the main treatment plant at the Liqhobong Diamond Mine
"Mezzanine Facility"	the mezzanine facility for US$30 million in total (£18.3 million) to be received from Pacific Road and RCF VI
"Mezzanine Facility Agreement"	the conditional agreement to be entered into prior to Admission between the Group, Pacific Road and RCF VI relating to the Mezzanine Facility
"Mirabaud"	Mirabaud Securities LLP
"Money Laundering Regulations"	the Money Laundering Regulations 2007 (as amended)

"New Articles"	the new articles of association of the Company proposed to be adopted at the General Meeting
"New Ordinary Shares"	the new Ordinary Shares to be issued pursuant to the Fundraising
"Notice of General Meeting"	the notice of General Meeting set out at the end of this document
"Official List"	the daily official list maintained by the Financial Conduct Authority
"Open Offer"	the invitation to Qualifying Shareholders to apply to subscribe for Open Offer Shares on the terms and subject to the conditions set out in Part III of this document and, where relevant, in the Application Form
"Open Offer Entitlement"	the *pro rata* basic entitlement for Qualifying Shareholders to apply to subscribe for two Open Offer Shares for every 11 Existing Ordinary Shares held by them on the Record Date pursuant to the Open Offer
"Open Offer Shares"	the 137,046,042 New Ordinary Shares for which Qualifying Shareholders are being invited to apply under the terms of the Open Offer
"Ordinary Shares"	the ordinary shares of one pence each in the capital of the Company
"Overseas Shareholder"	a Shareholder who is resident, or who is a citizen of, or which are corporations, partnerships or entities created or organised under the laws of countries, or who has a registered address in a jurisdiction outside the United Kingdom
"Pacific Road"	(i) Pacific Road Resources Fund II L.P. represented by Pacific Road Capital Management GP II PTY Limited; and (ii) Pacific Road Resources Fund II represented by Pacific Road Capital II PTY Limited
"Panel"	the Panel on Takeovers and Mergers
"Participant ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"Placees"	the persons who conditionally agree to subscribe for Placing Shares in the Placing
"Placing"	the placing of the Placing Shares at the Issue Price by GMP and Mirabaud as described in Part I of this document
"Placing Agreement"	the conditional agreement dated 14 January 2014 between the Company, GMP and Mirabaud relating to the Placing
"Placing Shares"	the 813,107,289 New Ordinary Shares which have conditionally been placed with certain institutional and other investors by GMP and Mirabaud and are to be issued by the Company pursuant to the Placing
"Prospectus Rules"	the rules made by the FCA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market

"Qualifying CREST Shareholders"	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date were held in uncertificated form
"Qualifying non-CREST Shareholders"	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date were held in certificated form
"Qualifying Shareholders"	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding any Overseas Shareholders who are resident in, or who are citizens of, or who have a registered address in a Restricted Jurisdiction)
"RCF VI"	Resource Capital Fund VI L.P.
"Record Date"	14 January 2014
"Receiving Agent"	Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
"Registrars"	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
"Resolutions"	the resolutions to be proposed at the General Meeting, the full text of which are set out in the Notice of General Meeting at the end of this document
"Restricted Jurisdiction"	each and any of the United States of America, Australia, Canada, Japan, New Zealand, the Republic of South Africa, Singapore and any other jurisdiction where the extension or availability of the Open Offer would or might breach any applicable law or regulations
"Revised Mining Lease Agreement"	the revised mining lease agreement amending the Group's existing agreement to reflect the proposed development of the Liqhobong Diamond Mine to be entered into between LMDC and the Lesotho Government
"SEC"	the US Securities Exchange Commission
"Shareholder"	a holder of Ordinary Shares
"Share Options"	options to acquire 151,688,020 Ordinary Shares (15,168,802 Capital Reorganisation Shares following completion of the Share Capital Reorganisation) to be issued to Mr Brown and to management and employees pursuant to the Share Option Schemes
"Share Option Schemes"	the Company's Unapproved Share Option Scheme and the Company's Executive Option Scheme adopted by the Company on 2 April 2012
"Share Register"	the register of Shareholders of the Company
"Share Capital Reorganisation"	the proposed share reorganisation to be effected by consolidating every 10 ordinary shares of one pence each in issue at the Share Capital Reorganisation Record Date into one new ordinary share of 10 pence each and then dividing each ordinary share of 10 pence each into one Capital Reorganisation Share and one B Deferred Share
"Share Capital Reorganisation Record Date"	7 May 2014

"South African Rand" or **"ZAR"**	the lawful currency of the Republic of South Africa
"sterling", **"pounds sterling"**, **"£"**, **"pence"** or **"p"**	the lawful currency of the United Kingdom
"stock account"	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
"Strand Hanson"	Strand Hanson Limited
"Subscription"	the subscription by Pacific Road and RCF VI of the Subscription Shares at the Issue Price
"Subscription Agreements"	the conditional agreements to be entered into prior to Admission between the Company and Pacific Road and the Company and RCF VI relating to the Subscription
"Subscription Shares"	the 1,422,937,756 New Ordinary Shares to be issued by the Company pursuant to the Subscription
"UK Listing Authority"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"Unapproved Share Option Scheme"	the Company's Unapproved Share Option Scheme adopted by the Company on 2 April 2012
"United Kingdom" or **"UK"**	the United Kingdom of Great Britain and Northern Ireland
"United States" or **"US"**	the United States of America
"US$" or **"US dollar"**	the lawful currency of the United States of America
"US Securities Act"	the United States Securities Act of 1933
"VWAP"	volume weighted average price of the Ordinary Shares
"Warrant"	the warrants to subscribe for, in aggregate, 487,864,372 New Ordinary Shares (48,786,437 Capital Reorganisation Shares following completion of the Share Capital Reorganisation) at the Exercise Price

FIRESTONE DIAMONDS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03589905)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Firestone Diamonds plc (the "**Company**") will be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 10.00 a.m. on 28 April 2014 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 and 3 will be proposed as ordinary resolutions and Resolutions 2, 4 and 5 will be proposed as special resolutions.

Resolution 1

That, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to exercise all powers of the Company to allot shares or grant rights to subscribe for or convert any securities into shares to such persons and on such terms as they think proper provided that this authority shall be limited to:

(a) an aggregate nominal amount of £23,730,910.87 in connection with the Fundraising (as defined in the circular dated 11 April 2014, of which this notice forms part ("**Circular**"));

(b) an aggregate nominal amount of £4,878,643.72 in connection with the grant of the Warrants (as defined in the Circular);

(c) an aggregate nominal amount of £363,189.34 in connection with the allotment of the Creditor Shares (as defined in the Circular);

(d) an aggregate nominal amount £1,516,880.20 (automatically reducing to £151,688.02 following completion of the Share Capital Reorganisation) in connection with the grant of Share Options (as defined in the Circular);

(e) an aggregate nominal amount of £76,432.07, in connection with the allotment of the Fee Shares (as defined in the Circular),

provided that this authority shall (i) be in substitution for all previous authorities pursuant to section 551 of the 2006 Act and (ii) shall expire on the third anniversary following the passing of this resolution.

Resolution 2

That, conditional on the passing of Resolution 1, the Directors be and they are hereby empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by Resolution 1 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) an aggregate nominal amount of £23,730,910.87 in connection with the Fundraising (as defined in the Circular;

(b) an aggregate nominal amount of £4,878,643.72 in connection with the grant of the Warrants (as defined in the Circular);

(c) an aggregate nominal amount of £363,189.34 in connection with the allotment of the Creditor Shares (as defined in the Circular);

(d) an aggregate nominal amount £1,516,880.20 (automatically reducing to £151,688.02 following completion of the Share Capital Reorganisation) in connection with the grant of Share Options (as defined in the Circular);

(e) an aggregate nominal amount of £76,432.07, in connection with the allotment of the Fee Shares (as defined in the Circular),

provided that this authority shall (i) be in substitution for all previous authorities pursuant to section 570 of the 2006 Act and (ii) shall expire on the third anniversary following the passing of this resolution.

Resolution 3

That, conditional on the passing of resolutions 1 and 2, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company ("**Rights**") up to an aggregate nominal amount of £10,569,354.87 (automatically reducing to £1,056,935.48 following completion of the Share Capital Reorganisation), provided that this authority shall expire on the date of the next annual general meeting of the Company or, if earlier, on 31 December 2014, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot Rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot Rights (other than pursuant to Resolutions 1 and 2 above) be and are hereby revoked.

Resolution 4

That conditional on the passing of Resolution 3 the Directors be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash either pursuant to the authority conferred by Resolution 3 above as if section 561(1) of the Act did not apply to such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of holders of ordinary shares in the Company, where the equity securities attributable to the interests of all holders of ordinary shares are proportionate as nearly as may be practicable to the respective number of ordinary shares held or deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange;

(b) the allotment of equity securities up to any aggregate nominal amount of £3,170,806.46 (automatically reducing to £317,080.64 following completion of the Share Capital Reorganisation) (other than pursuant to sub-paragraph (a) above),

and shall expire upon the expiry of the general authority conferred by Resolution 3 above, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuant of such offer or agreement as if this power had not expired.

Resolution 5

That subject to and conditional upon the passing of Resolutions 1 and 2 with effect from the Share Capital Reorganisation Record Date (as defined in the Circular):

(a) every ten issued ordinary shares of 1 pence each in the capital of the Company be consolidated into one ordinary share of 10 pence each;

(b) each resulting issued ordinary share of 10 pence each then be subdivided into one new B deferred share of 9 pence each and one new ordinary share of 1 pence each such B deferred share having the rights and being subject to the restrictions set out in the new articles of association of the Company, to be adopted pursuant to sub-paragraph (c) below;

(c) the draft new articles of association produced to the meeting be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

By order of the Board of Directors

Prism Cosec Limited
Company Secretary

11 April 2014

Registered Office
The Triangle
5-17 Hammersmith Grove
London
W6 0LG

INFORMATION FOR SHAREHOLDERS

Appointment of proxies

1. A shareholder entitled to attend and vote at the General Meeting may appoint a proxy to attend, speak and vote instead of him or her. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the enclosed Form of Proxy are set out in the notes to the Form of Proxy. A proxy need not be a shareholder of the Company but must attend the meeting in person.

2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact Capita Asset Services on 0871 664 0300 if calling from within the UK (calls cost 10p per minute plus network extras) or +44 (0)20 8639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m., Monday – Friday.

3. To be effective, the Form of Proxy, together with the original of any power of attorney or other written authority under which it is signed, must be completed, signed and deposited with Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 10.00 a.m. on 24 April 2014 (or if the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting (excluding non-working days)). In the case of a company, the Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the company.

4. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

5. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However it should be noted that a vole withheld in this way is not a “vote” in law and will not be counted in the calculation of the proportion of votes “For” and “Against” a resolution.

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out in this Notice. Note that the cut-off time for receipt of proxy appointments (see above at paragraph 3) also apply in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services on 0871 664 0321 if calling from within the UK (calls cost 10p per minute plus network extras) or +44 (0)20 8639 3399 if calling from outside the UK, lines are open between 9.00 a.m. and 5.30 p.m., Monday – Friday. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

   In order to revoke a proxy instruction, a member will need to inform the Company by sending a notice in writing to the address set out at note 3 or, where the appointment of proxy was contained in an electronic communication, in accordance with note 11, as applicable, clearly stating the member’s intention to revoke his or her proxy appointment. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company, together with the authority (if any) under which it is signed or a notarially certified copy of such authority.

   The revocation notice must be received by Capita Asset Services or, where the appointment of proxy was contained in an electronic communication, in accordance with note 11, as applicable, no later than 10.00 a.m. on 24 April 2014, or by no later than 48 hours (excluding non-working days) prior to the time appointed for the holding of any adjourned General Meeting. If a member

attempts to revoke a proxy appointment but the revocation is received after the time specified, then, unless the member attends the annual general meeting in person (or in the case of a corporation that is a member, by the corporate representative) in respect of shares for which a proxy has been appointed, the proxy appointment will remain valid.

Entitlement to attend and vote

8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company as at 6.00 p.m. on 24 April 2014 or, if the General Meeting is adjourned, and the register of members not less than 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that relevant time. Changes to entries on the register of members after 6.00 p.m. on 24 April 2014 or, if the General Meeting is adjourned, on the register of members not more than 48 hours before the time of any adjourned meeting, will be disregarded in determining the right of any person to attend and vote at the meeting.

9. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

Electronic Proxy appointment through CREST

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST personal members, sponsored CREST members and CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action for them.

11. To complete a valid proxy appointment or instruction using the CREST service, the CREST message (a "CREST Proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted and received by Capita Asset Services (Participant ID "RA10") by 10.00 a.m. on 24 April 2014 (or if the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting (excluding non-working days)). The time of receipt of the instruction will be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to ensure that his CREST sponsor or voting service provider(s) take(s)) the necessary action to ensure that a message is transmitted by means of the CREST system by a particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should refer to the sections of the CREST Manual concerning practical limitations of the CREST system and timings.

13. The Company may treat a CREST Proxy Instruction as invalid as set out in Regulation 25(5)(a) of the Uncertificated Securities Regulations 2001.

Millnet Limited (9108-01)