Sierra Leone Conference
Trade and Investment Forum
18 November 2009
WHY INVEST IN SIERRA LEONE?

- **Introduction to Koidu Holdings**
  - Ownership
  - Mineral Rights
  - History – Koidu Kimberlite Project
- **Motivating factors** – why Koidu Holdings invested in Sierra Leone
- **Achievements** – what is possible
- **Highlights**
  - Vertical Pit
  - Production Data
  - Financial Performance
  - Payments to GoSL
- **Challenges**
  - Suspension
  - Global Crisis
  - Bankable Feasibility Study
  - Cashflow
- **Koidu Underground Expansion Project**
- **Tongo Field Overview**
- **Resource Requirements** – Key Capital Items
- **Social and Environmental Issues**
  - Resettlement Action Plan
  - Community Development Initiatives
- **SWOT Analysis**
- **Critical Success Factors**
Koidu Holdings S.A is a wholly owned subsidiary of BSG Resources.

Koidu Holdings S.A.

BSGR Diamonds

Mining

Engineering

Energy

Koidu Holdings S.A.
Overview of the Company – Mineral Rights

KOIDU HOLDINGS S.A.

Mining

- Koidu Kimberlite Project
  - 330 km east of capital Freetown
  - 25 year **Mining Lease**
  - Area - 4 km²

- Tongo Diamond Field Project
  - 68 km south of Koidu
  - **Mining Lease**
  - Area - 88.5 km²

Exploration

- Panguma
  - Adjacent to Tongo (west)
  - **Exploration license**
  - Area – 53.6 km²
Overview of the Company – Mineral Rights

Map of Sierra Leone

- Koidu Kimberlite Project
- Tongo Diamond Field Project
- Panguma Exploration Licence
History

- **1953 – 1984:** Drilling, sampling and mining of No. 1 Pipe and No. 2 Pipe by SLST & NDMC
- **1984 – 1997:** Dormant
- **1997:** DiamondWorks to start sampling, disrupted by war
- **1997 – 2002:** Civil war
- **2002 – 2003:** Redevelopment of Koidu Kimberlite Project
- **2004 onwards:**
  - 2004 – Initial bulk sample - conventional open pit
  - 2004 to 2007 – Vertical pit mining and interim mine plan whilst evaluating deposits
  - 2008 to 2009 – Bankable Feasibility Study for underground mining operation

Dewatering of No. 1 Pipe pit – September 2003
Motivating Factors

- Previous mineral right holders seeking joint venture partner
- Small marginal deposits, but high quality diamonds
- Potential for large diamonds (e.g., Star of Sierra Leone)
- With correct economies of scale, has potential to deliver good return on investment
- Post-war environment, people of Sierra Leone eager to rebuild country and improve circumstances - opportunity to contribute to positive developments
- Anticipated securing political risk insurance though MIGA
- Optimistic that challenges could be overcome
Overview of the Company – Koidu Kimberlite Project

Before......

Aerial photograph of the Koidu Kimberlite Project - January 2003

Monkey Hill
Koidu Town
No. 1 Pipe
No. 2 Pipe
Plant site

After......

No. 1 Pipe Vertical Pit, No. 2 Pipe Open pit development, processing plant

First meeting with Chiefdom authorities and elders in 2003
Vertical Pit Mining

2005 - 2007

- New mining technique – previously used at Nyala chrome deposit in Zimbabwe in the 1990s
- Koidu Holdings has refined this technique on the No. 1 Pipe kimberlite at Koidu
- Koidu vertical pit is the largest diameter open air shaft with a vertical depth of 74m from collar
- Dimensions: 90m x 48m x 74m
Koidu Kimberlite Project – No. 1 Pipe Production

<table>
<thead>
<tr>
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<th>Headfeed (tonnes) and Carats (ct)</th>
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<tbody>
<tr>
<td>2004</td>
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<td>2006</td>
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<td>2007</td>
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- Headfeed
- Total Carats
- Total Grade

Grade (ct/t)
## Koidu Kimberlite Project – Production Summary

<table>
<thead>
<tr>
<th></th>
<th>No. 1 Pipe</th>
<th>No. 2 Pipe</th>
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<tr>
<td></td>
<td>2004</td>
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<td>Headfeed (t)</td>
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<td>57,202</td>
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<td>Total Grade (ct/t)</td>
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<td>0.53</td>
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Overview of the Company – Post December 2007

Q1, Q2 – 2008

- 13 December 2007 – riot
- SUSPENSION
- Jenkins-Johnson Commission of Inquiry
- Retrenchment of 90% of staff
- Vertical Pit flooded
- No. 2 Pipe flooded
- GoSL White Paper – 8 April 2008
- Letter from GoSL – lifting of suspension 4 July 2008
- Notification of Mining Review – 7 July 2008
- Beginning of GLOBAL FINANCIAL CRISIS

No. 1 Pipe vertical pit flooded
No. 2 Pipe flooded
Global Financial Crisis

- The global financial crisis has had a devastating effect on the diamond market
- Prices of polished stones plummeted as consumer confidence hit all-time lows in January 2009
- The effect on the rough diamond market was amplified, with cutting and polishing centres suffering from high debt and a lack of liquidity
- Diamond producers forced to stockpile diamonds, reduce production rates and suspend operations as the value of rough diamonds dropped by over 50% in a few months.
Implications

January 2009

- Mining feasibility study completed by SRK Consulting in 2007 had to be redone – at prevailing prices No. 2 Pipe would not be economic to mine underground
- Bank financing to be secured for underground expansion project
- Bridging finance from Standard Chartered Bank
- Full BANKABLE FEASIBILITY STUDY commenced January 2009
Challenge

- Diamond prices
- Mining fleet stretched
- Production targets
- Dyke mining
- Waste development

Financial models
Plant design
Risk Assessments
Environmental
Slimes dam design
Metallurgical testwork
Geotechnical assessments
Mine Design
Geohydrology
Microdiamond analysis
Resource Statement
Mineral Chemistry
Large Diameter Drilling
Petrography
Geological Modelling
Bulk sampling
Core drilling
Evaluation of geology

Cashflow
Bankable Feasibility Study
Q3, Q4 - 2008

After lifting of suspension:
- Remaining 15m of ore from vertical pit no longer accessible from surface
- Development of No. 2 Pipe delayed and purchase of necessary equipment cancelled
- NO ORE ACCESSIBLE FROM KIMBERLITE PIPES
- August/September 2008 – recruitment of staff
- October 2008 – commenced waste stripping on Dyke Zone B
- November/December 2008 – production from Dyke Zone B and Blow A
- Explored various options to maintain production, and fund bankable feasibility study
Koidu Kimberlite Project – Underground Expansion Project

Evaluation of:

- **No. 1 Pipe**
  - Production data 2004-2007 – high confidence in geology, grade and $/ct
  - Additional studies included microdiamond analysis, mineral chemistry, petrography

- **No. 2 Pipe**
  - Limited production data – low confidence in grade continuity and $/ct
  - Bulk sampling – 5m controlled bulk sample across pipe, treating each kimberlite unit separately
  - Large diameter drilling programme – to determine geological, grade and value continuity at depth

- **Dykes Zones A and B**
  - Drilling, modelling
  - Surface mapping
  - Bulk sampling from surface

- **Dyke Zone A Blow**
  - Vertical pit feasibility study

- **Dyke Zone B Blows B1, B2, B3**
  - Drilling, modelling
  - Surface mapping
  - Bulk sampling
  - Vertical pit feasibility study on Blow B3
Evaluation of Dyke Zones

- Delineation drilling to 500m depth
- Geological modelling of Dyke Zones A, B, C and D
- Geological mapping of Dyke Zone A and B
- Bulk sampling of Dyke Zones A and B
- NEW DISCOVERIES
  - DZB Blow B2
  - DZB Blow B3
- Changed focus of short term mine plan to include Blow B3
Evaluation of No. 2 Pipe

- No. 2 Pipe required to be in Indicated Resource category
- Limited production data – 6 months, variable grades
- Large Diameter Drilling programme
  - Phase 1 – 5 x 17.5” holes to 300m
  - Phase 2 – 4 x 23” holes to 350m
- Bulk sampling programme to fit in with sustainable open pit mine plan
- Preliminary Whittle optimisation undertaken
- 200m deep open pit
- 4 year life, depleted when underground (if economic) will be ready
Koidu Production (carats) per ore source - 2008/2009

- DZA
- Blow A
- DZB
- Blow B1
- Blow B2
- Blow B3
- No. 2 Pipe

Valuation of diamonds at Government Gold and Diamond Office Freetown
Status of Operations – 2009

Koidu Production (carats) total carats – 2008/2009

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<tr>
<th>Carats</th>
<th>0.00</th>
<th>2 000.00</th>
<th>4 000.00</th>
<th>6 000.00</th>
<th>8 000.00</th>
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<th>12 000.00</th>
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### Koidu Kimberlite Project – Financial

#### Cash Outflow:

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<td>19,693,220</td>
<td>21,376,944</td>
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**Total Cash Outflow:** 16,356,189

#### Funded by:

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**Total Funded by:** 16,356,189
## Payments to Sierra Leone Government

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# Underground Expansion Project – Implementation

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<th>Year 7</th>
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<td><strong>K2 Open Pit</strong></td>
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Tongo Field

- **First visit** – August 2003
- **Bidding process** (12 companies) – December 2003
- **Exploration License** – awarded 19 May 2004
- **Mobilisation**
  - December 2004
  - May 2005
  - Environmental Base Line Study
  - Establishment of exploration camp
- **Disturbances by community** – 2005 – 2006

Overview of the Company – Tongo Field Project
Road Refurbishment

**Before**
- 68km south of Koidu Kimberlite Project
- Refurbished 48km
- Refurbished bridges and culverts
- Opened up new trade corridor in east of country

**After**
Overview of the Company – Tongo Field Project

Bulk Sampling/Pre-Feasibility Study/Mining Lease Application

- Target Lando and Kundu Dyke Zones
- Total tonnes processed at Koidu 10,759 tonnes
- Cost: initial budget $1.8 million, final cost $5.1 million
- Mining Lease Application dated May 2008
- Letter from GoSL in July 2008 - ML application approved

Waste stripping and mapping Drilling and blasting After sample extraction
Current Situation

- **Tongo Diamond Field Project**
  - Mining Lease – agreement to be finalised
  - Environmental Impact Assessment in progress
  - Delineation Drilling based on geophysical results and surface geological mapping to commence January 2010
  - Other activities on hold – awaiting conclusion of government mining review process

- **Exploration Properties**
  - Relinquished Upper Sewa River, Middle Sewa River and Matemu exploration licenses
  - Drilling of Pandebu blow within Panguma exploration license to commence January 2010

Overview of the Company – Exploration

AMT Geophysical Survey

Kimberlite stringer
Resource Requirements - Capital

Key Capital Items (estimate)

- **Koidu Kimberlite Project**
  - New KKP plant - $35 million
  - No. 2 Pipe Open Pit development - $15 million
  - Drilling, feasibility studies and Independent Experts’ Report - $4.5 million
  - Initial underground development - $115 million
  - Surface infrastructure - $10 million
  - Security Fence - $2.5 million

- **Tongo Diamond Field Project**
  - Approximately $35 million (plant upgrade, earthmoving fleet, mining and development)

Koidu processing plant to be moved to Tongo

Removal of overburden along dyke zones
Resettlement Action Plan

May 2003 - CEMMATS Group Ltd and international environmental agency Digby Wells and Associates undertake the following:

- Environmental Impact Assessment (EIA)
- Environmental Management Plan (EMP)
- Resettlement Action Plan (RAP)
- Community Development Action Plan (CDAP) and
- Public Consultation and Disclosure Process (PCDP)

February 2008 CEMMATS - “Report on the Assessment of the Compliance of the Koidu Kimberlite Project of Koidu Holdings S.A. with Environmental and Social Obligations”

Update of EIA in progress

Koidu Holdings and local community build new homes
Resettlement Action Plan

- Clause 2 of MLA.
- Illegal houses 2003 to-date
- In view of the incident of 13 December 2007 and subsequent Jenkins Johnson Commission of Enquiry, the company appointed CEMMATS to review and reformulate the RAP.

Two phases:
- **Phase 1:**
  - Survey and formulation of Action plan in consultation with all stake holders
  - Economic Crop Assessment and payment of +US$ 700k to landowners in crop compensation (3 stages Jan, March and July 2009)
  - Formulation of RAP blueprint to be signed off by the community, company and govt
- **Phase 2:**
  - Implementation - CEMMATS contracted for implementation targeting 12 houses per month.

Offloading the first load of bricks for the resettlement programme manufactured at Koidu’s own brick factory.
RAP Agreement

- Signing of RAP Agreement on 5th August 2009
  - GoSL
  - Koidu Holdings S.A.
  - Village Resettlement Committee (VRC)
  - CEMMATS
- Agreement incorporates
  - Approved design of (256) new houses and (47) incomplete houses
  - Modifications to (90) existing houses
  - Relocation of existing community facilities
  - Provision of clean borehole water piped to standpipes apportioned sets of houses
- Estimated time frame for completion - 24 months

His Excellency President Ernest Bai Koroma signing the RAP Agreement
RAP Agreement

- Twenty Three (23) member Village Resettlement Committee (VRC) -
- Key to the success of the Project
  - Chairman – Paramount Chief
  - Affected Property Owners Association (APOA)
  - Koidu Holdings S.A
  - Ministries of Mineral Resources & Agriculture, Local Councillors & Parliamentarians, Chiefdom Authorities.
  - Youth Leaders & CEMMATS (Implementation Agent

Commissioning of the Resettlement Village Borehole
Community Development Initiatives

- Education and Training
  - On the job training
  - Overseas training
  - Refurbishment of schools
  - Scholarships
  - Support Kono Students’ Union
- Sports assistance (soccer field, ENWAGS, SL Athletics Association)
- Healthcare (clinic, Pikin Business)
- Water
- Feeding schemes
- Infrastructure development
- Road refurbishment
- Agricultural Development Programmes

Before

After

Social & Environmental Issues

PRESENT

PAST

FUTURE
SWOT Analysis – Koidu Holdings operations in Sierra Leone

**Strengths**

- Koidu Holdings’ performance to-date (contribution to economy to date and future potential contributions)
- Koidu Holdings’ resilience and commitment
- Koidu Holdings’ financial and technical capacity
- Koidu Holdings’ management’s knowledge of the working environment
- Koidu Holdings’ business philosophy, ethics and reputation

**Weaknesses**

- Marginal deposits (sensitive to price and cost)
- Economies of scale
- Country profile
- Domestic economy
- Poor infrastructure
- Poor regulatory framework
- Lack of original manufacturers/principal support
- SL mining sector underdeveloped
Opportunities

- Mining Review provides an opportunity to improve
  - Regulation
  - Investor confidence
  - Investment climate
- Koidu Holdings success key to further mineral resource developments
- Supply and demand equation determining factor ie high quality diamonds from SL will regain value as supply diminishes from other suppliers

Threats

- Status of domestic economy and the effect it could have on national security
- Inconsistency in GoSL policy
- Lack of appropriate mining regulations
- Misinformation and exploitation of community by members of society
- Political climate
- Irresponsible statements by key Govt officials
- Unreasonable expectations
- Corruption
Critical Success Factors

- Management
  - Sustainable business plan
  - Adherence to international best practices
  - Commitment
  - Optimise mining value chain
  - Attention to detail/planning and implementation
  - Financial management

- Employees
  - Understanding of task at hand
  - Commitment
  - Loyalty and dedication
  - Adherence to company policies and procures
  - Disciple
  - Sense of responsibility and accountability
  - Performance (key performance indicators)
Critical Success Factors

- **Community**
  - Respect for the rule of law
  - Honour agreements
  - Positive participation and collaboration
  - Traditional leadership and effective administrative structures
  - Respect for mining lease boundary

- **Operating environment**
  - Safety and security
  - Non-interference (political, social, administrative)

- **Technical**
  - Appropriate regulations
  - Implementation of Life-of-Mine plan i.e. short term production schedules should not compromise LOM
  - Feasibility studies – reliable, realistic and practical
Critical Success Factors

**Government/shareholder**

- Finalization of Mining Review
- Completion of Bankable Feasibility Study
- Securing finance for capital expansion
- Key stakeholder support and commitment
- Finalization of Tongo Field Mining Lease Agreement
- Risk mitigation (e.g. political risk cover)
- Collaboration between government departments
- Consistency with regard to policies
- Shareholder confidence in business/country
Our Vision

To be the company of choice in Sierra Leone – the one to:

- Have as an investment partner
- Invest in
- Work for
- Do business with

and fulfill our mission statement:

“Investment, Development and Growth in Sierra Leone’s mineral resources for a better future”.