Quarterly Update on Operations

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Firestone Diamonds plc
("Firestone", the "Group" or the "Company")

Quarterly Update on Operations

Firestone Diamonds plc (AIM: FDI), provides its quarterly update on operations at its Liqhobong Diamond Mine ("Liqhobong") for the quarter ended 31 December 2018 (Q2 of the Company's 2019 financial year).

Second Quarter ended 31 December 2018 summary

- Lost time injury free quarter (Q1: first lost time injury recorded after 6.7 million hours worked);
- 884,252 tonnes of ore treated in the quarter, (Q1: 1,012,323 tonnes) lower due to unscheduled repair work being undertaken on one of the scrubbers during November;
- Total tonnes for the first six months of FY2019 of 1.9 million tonnes, in line with annual guidance of between 3.6 million and 3.9 million tonnes treated;
- Recovery of 224,947 carats, (Q1: 240,733 carats), resulting in a year-to-date total of 465,680 carats, on track with guidance of between 820,000 and 870,000 carats recovered for FY2019;
- Overall grade for Q2 of 25.4 carats per hundred tonnes ("cpht") and 24.6 cpht year-to-date;
- 902,151 tonnes of waste mined (Q1: 961,013 tonnes): and a plan is in place to increase waste tonnes mined to meet guidance of between 4.3 million tonnes and 4.8 million tonnes for FY2019;
- Cost during the quarter of US$12.00 per tonne treated, and US$10.96 year-to-date, substantially lower than FY2019 guidance of US$15-16 per tonne treated;
- A total of 191,735 carats sold in the second quarter of the financial year (Q1: 194,206 carats), realising revenue of US$13.9 million (Q1: US$13.5 million);
- Recovery of a 46-carat white diamond in December;
- Average value of US$72 per carat (Q1: US$70 per carat), which is below expectation mainly due to a deterioration in prices received for the smaller, lower value stones;
- Despite the continued subdued conditions at the lower value end of the market, the mine continued to generate positive cash flows after finance costs; and
- Net cash as at 31 December 2018 of US$26.2 million (Q1: US$25.7 million).

Post Quarter events

- A total of 125,871 carats sold realising total proceeds of US$9.1 million, in the fourth sale of FY2019 which concluded on 1 February;
- Average value realised of US$72 per carat, with pricing received for the smaller, lower value stones remaining stable;
- A number of special stones were sold including the 46 carat stone recovered in December which sold for more than US$1 million; and
- A slower start to the second half due to equipment failure in the plant during January, which is expected to impact tonnes treated and carats recovered for Q3.

Paul Bosma, Chief Executive Officer, commented:

"We had a reasonable second quarter, barring a scrubber failure sustained in November, ending the financial half year with all our production parameters on track to meet guidance by year end. The demand for the smaller, lower value stones deteriorated further during the quarter albeit that it stabilised at the December sale and remained at the same level for the January sale. Pleasingly the demand for larger, better quality stones remains strong as was evidenced by the pricing received for the 46 carat white stone that was sold during the first sale of 2019.

During the current rainy season, our mine plan provides for mining the northern high lying lower grade ore blocks, mainly from the K2 kimberlite facies and we will use the opportunity to monitor any changes to diamond assortment.

The life of mine ("LOM") work showed the potential of further open pit expansion at the Liqhobong mine. We have another 2 years to make a final decision on the optimal cut 3 mine design which will be driven mainly by diamond price and price growth assumptions."

Operations
In the quarter ended 31 December 2018, Liqhobong treated 884,252 tonnes of ore (Q1: 1,012,323 tonnes) at an average of 526 tonnes per hour ("tph") (Q1: 540 tph). The reduced tonnes treated was as a result of unscheduled repair work undertaken on one of the scrubbers during November. As a result of the lower tonnes, costs for the quarter were higher at US$12.00 per tonne treated compared to US$10.05 in Q1. Due to the late arrival of the summer rains, mining remained focussed in the southern, higher grade part of the pit during the quarter resulting in a higher grade achieved of 25.4 cpht (Q1: 23.8 cpht) and 224,947 carats recovered (Q1: 240,733 carats). The grade is expected to decrease during the second half of FY2019 as mining returns to the lower grade ore blocks in the northern part of the pit during the rainy season. The rainfall pattern seems to be following a similar trend to FY2018 when the first substantial rain only fell in early February. During the quarter, 89 stones (plus 10.8 carats) were recovered (Q1: 114 stones).

Waste stripping of cut 2 south continued during the second quarter. Due to the very steep topography of the cut 2 work areas on the southern flank of the valley, it took longer to establish new access roads and platforms, resulting in fewer waste tonnes being moved than planned. A revised plan is in place to increase the quantity of waste tonnes mined over the coming months, and at this stage, we expect to meet guidance of between 4.3 million and 4.8 million tonnes for FY2019.

A combination of lower waste costs incurred, continued cost savings and local currency weakness against the US dollar, resulted in operating costs for the quarter of US$12.00 per tonne treated (Q1: US$10.05 per tonne treated) including waste stripping, remaining well below the guidance range of between US$15 and US$16 per tonne treated. Costs were US$2.2 million lower than planned for the quarter and US$4.7 million lower for the first six months of FY2019, mainly as a result of the weaker local currency. The lower cost for the year includes US$0.8 million in respect of the fewer waste tonnes moved and is expected to be incurred in the second half of FY2019.

Life of Mine plan
The work on the LOM plan was completed during the quarter. The purpose of the exercise was to determine the viability of a cut 3 open pit extension based on the latest slope angles. The output of the exercise showed that a cut 3 could be a viable option adding approximately 3 years to the current plan and 40% more carats recovered over the life of mine. In addition, the exercise showed that there is the potential for significant pit expansion in the future should the key economic factors, notably average diamond value, and Maloti versus US Dollar exchange rate improve over time. However, based on current average diamond value and exchange rate assumptions, the cost of moving the additional waste tonnes is not economically viable. The mine has just commenced with cut 2 south and therefore we still have at least another 2 years to decide on a final cut 3 design. The mining of cut 2 is also an opportunity to further assess the viability of steepening slope angles further and it therefore seems prudent to decide on a final cut 3 design only once all these parameters are known and optimised. The Company maintains the optionality of life of mine extension until FY2021.

Health & Safety
The Company recorded no lost time injuries during the quarter. The first lost time injury was recorded in the previous quarter, when an incident occurred after achieving a total of 6.7 million injury-free man-hours worked since project commencement in July 2014. Fortunately, the incident was not too serious with the employee returning to work three days later. The team continues to focus on safety in the workplace as a priority in an effort to maintain the exemplary safety record.

Financial
Cash available at the end of the quarter was US$26.2 million (Q1: US$25.7 million). Revenue realised of US$9.1 million from the sale of 125,871 carats for the January sale included diamond inventory of 113,527 carats that were on hand at the end of December 2018. Despite the continued subdued conditions at the lower value end of the market, the mine remained cash-flow positive after finance costs for the quarter.

Diamond Sales
A total of 191,735 carats were sold (Q1: 194,206 carats), realising revenue of US$13.9 million (Q1: US$13.5 million) at an average value of US$72 per carat (Q1: US$70 per carat).

As reported previously, the Company saw a stabilisation in pricing for its smaller, lower value stones (-3 grainers) at the December sale albeit at low levels. The trend observed from the recently concluded sale on 1 February was that prices remained stable. Reported retail sale results of diamond jewellery during December have been mixed with indications that the US market was holding steady but demand from China was weaker. The peak retail season for diamond jewellery will be concluded during February when the Chinese New Year celebrations and Valentine's Day take place. Thereafter one would be able to more accurately gauge polished demand and the effect on rough pricing. It is key that mid-stream inventory levels have to reduce to improve liquidity in this part of the value chain.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

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About Firestone

Firestone is an international diamond mining company with operations focused in Lesotho. Firestone commenced commercial production in July 2017 at the Liqhobong Diamond Mine in Lesotho. Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho. Lesotho is emerging as one of Africa's significant new diamond producers, hosting Gem Diamonds' Letšeng Mine, Firestone's Liqhobong Mine, Namakwa Diamonds' Kao Mine and Lucapa's Mothae Mine.

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