



Updated Definitive Feasibility Study Results

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 ("Firestone" or the "Company") (AIM: FDI)
Updated Definitive Feasibility Study Results

LONDON: 5 November 2013

Firestone Diamonds plc ("Firestone" or the "Company"), the AIM-quoted diamond development company, is pleased to announce an updated Definitive Feasibility Study ("DFS") for the Liqhobong Diamond Mine ("Liqhobong" or the "Project"), in the Lesotho Highlands, which is owned 75% by Firestone and 25% by the Government of Lesotho.

The updated DFS is an internal review of the study completed in October 2012 by consultants DRA Projects Limited. It is based on additional work associated with the Company's ongoing project finance process, and incorporates the benefit of the Company's recently announced updated diamond price assumptions, re-validated operating and capital cost assumptions and updated foreign exchange rates.

The revised DFS reflects the basis upon which the Company intends to proceed with the financing and construction of the Project. It is anticipated that construction and early works for the Main Treatment Plant will commence in early 2014 when funding for the Project is finalised. Thereafter, the Project is scheduled to take two years to construct and commission with full production scheduled to begin in early 2016.

Highlights

- DFS confirms strong base case project economics with significant upside potential if anticipated revenues from large stones (plus 100 carats) are included:

	US\$ per carat	Project Post-tax NPV _{8%} (US\$M)	Project Post-tax IRR (%)
Updated DFS			
Base Case	107	379	30
Upside Case	156	728	45
<i>Previous DFS (October 2012)</i>	<i>100</i>	<i>335</i>	<i>40</i>

Note: at 3% diamond price growth, all costs are flat real in the model only diamond revenue has been escalated.

- Financial returns reflect previously announced change of development strategy with the cessation of activities at the Pilot Plant prior to commencing construction of the Main Treatment Plant
- Revalidated initial capital costs of R1,854 million (approximately US\$185.4 million)

Stuart Brown, incoming Chief Executive Officer, commented, "The updated DFS has confirmed the Board's view that Liqhobong is a world class diamond project that will yield very good returns for all of its stakeholders. Alongside the increased diamond values previously reported, our updated numbers released today further demonstrate management's long held belief in the compelling economics of the Project."

Summary of key project operating parameters

The key operating and financial parameters modelled in the DFS are summarised as follows:

	Unit	November 2013 DFS
Ore mined	Mt	53.7
Average strip ratio	Waste/ ore	2.28
Plant capacity	Mtpa	3.6
In situ grade	Cpht	32.07
Average annual production	Mcts pa	1.15
Mining cost	ZAR/ t mined	21.5
Processing cost	ZAR/ t processed	57.8
Site SG&A	ZAR/ t processed	12.5
Steady state site operating expenses	US\$/ ct	43.93
Royalty	%	8%
Initial capital expenditure	ZAR million	1,854
Initial capital expenditure	US\$ million	185

Updated DFS average ZAR:US\$ exchange rate is a flat ZAR10:US\$1 over the life of the Project compared to an average of ZAR9.76:US\$1 in the October 2012 DFS, where, for the first two years the ZAR:US\$ was ZAR8.42 and ZAR8.92, and then ZAR9.94 thereafter.

Infrastructure and capital costs

The updated DFS includes a revalidation of the total Project capital scope and cost requirement. Total initial capital costs are ZAR1,854 million (approximately US\$185.4 million). In US\$ terms the project capital has increased from US\$167 million to US\$185.4 million an increase of 11% when compared to the October 2012 DFS.

The revised and revalidated initial capital cost estimate now includes an additional US\$5 million for the provision of grid power to the Project, with the Project now carrying the full cost of power infrastructure, whereas previously this had been modelled on the basis of shared infrastructure with other neighbouring mines. The power component of the Project is expected to take 13 months to complete with grid power expected to be in place by July 2015. In addition to the increased power cost, the owner's team costs and contingency allowances have also increased.

Operating costs

The operating cost assumptions were reviewed and there has been no change on a ZAR basis. The total cost per tonne of ore processed is ZAR140.92/t (approximately US\$14.09/t).

Project economics

The updated DFS confirms the robust economics of the Project, incorporating the improved diamond pricing of US\$107/carat (2012 DFS: US\$100/carat) as previously announced on 23 October 2013, and revised exchange rate assumptions.

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As announced on 23 October 2013, data from the recovery and sale of approximately 325,000 carats from the operation of the Pilot Plant has led to a revised base case sales price assumption of US\$107 per carat, excluding potential large stones which the Pilot Plant was not able to recover intact. Furthermore, independent analysis of nine large stone fragments has suggested that if these large stones (plus 100 carat) were recovered and included in the revenue model, an upside price of US\$156 per carat could be expected based on limiting the fragmented stones to 100 carats per stone. It should be noted that three of these stones were calculated to have been 200 carats or larger. Had these stones been recovered undamaged, the potential price upside could well be greater than that which is currently modelled and is supported by knowledge that Lesotho is known for its production of large high quality diamonds.

Based on the updated and revalidated operating and financial assumptions described above, the base case NPV has increased by 13% versus the previous October 2012 DFS. It should be noted that a key driver of the reduced IRR of 30% vs 40% previously

reported, is the removal from the financial model of previously projected cash generation from the operation of the Pilot Plant in parallel with the construction of the Main Treatment Plant. As per the Company's revised strategy for the development of Liqhobong, the operation of the Pilot Plant has now ceased to allow for site preparation prior to the construction of the Main Treatment Plant.

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Background information on Firestone Diamonds

Firestone Diamonds plc is an international diamond development company with operations focused on Lesotho and Botswana. Firestone is currently in the process of developing the Main Treatment Plant at the Liqhobong Mine in Lesotho to become a +1 million carat per annum producer.

Lesotho is emerging as one of Africa's significant new diamond producers, and hosts Gem Diamonds' Letseng Mine, Firestone's Liqhobong Mine as well as Namakwa Diamonds'Kao Mine and the Mothae development project.

This information is provided by RNS
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