



Operational Update Q1 2012

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Recovery of large stones, Operational Improvements and Appointment of CFO

LONDON: 14 May 2012

The Board of Firestone Diamonds plc, ("Firestone" or "the Company"), the AIM-quoted diamond mining and exploration company (ticker: AIM: FDI), is pleased to announce an unaudited operations update for the first quarter of 2012 and changes to its senior management team.

HIGHLIGHTS

Liqhobong Mine, Lesotho

- Diamond sales
 - Recovery of 74 carat light yellow unbroken gem
 - Recovered 39 carat light yellow gem and a 26 carat white gem, both fragments of much larger stones
 - These diamonds to be sold at tender in second quarter of 2012
 - 67,148 carats sold realising \$4,773,000 for \$71 per carat at tender in the first quarter of 2012. Predominantly small and near gem diamonds included in the tender.
- Pilot Plant Production
 - Modifications to increase and improve plant throughput and control completed on time and within budget
 - Plant now consistently operating at sustained throughput rate of circa 100 tons per hour
 - 129 000 tons treated during the quarter, seven per cent below forecast, mainly due to slower ramp-up following the plant modifications
 - 45,491 carats recovered at a grade of 35.4 carats per hundred tonnes (cpht). Carats recovered slightly below forecast grade of 37cpht due to mine sequencing
 - Further plant modification aimed at reducing diamond breakage of larger stones planned for early June 2012.
- Main Treatment Plant
 - Definitive Feasibility Study (DFS) on track for completion end June 2012
 - Design work on plant, tailings dam and site infrastructure complete
 - Financial evaluation modelling commenced

Management

- Grant Ferriman appointed as Chief Financial Officer, effective 1 July 2012, to replace Angus Ogilvie.

Outlook

- Further investment in the Pilot Plant at Liqhobong expected to reduce diamond breakages of larger stones
- Strategic focus remains the completion of the Liqhobong DFS and subsequent development of the project
- Strategic decision in relation to the exploration portfolio expected during Q2 & Q3 2012.

Tim Wilkes, the CEO of Firestone Diamonds, commented: *"We have had a good Q1 in terms of production at Liqhobong. The first maintenance shut-down of the Pilot Plant was successful and the benefits of the increased throughput are already visible. The second maintenance shut-down planned to be completed in June will address the remaining challenges we have in reducing the breakage of the larger diamonds. We are delighted to have recovered the largest unbroken 74 carat light yellow gem from Liqhobong to date which further supports the high quality of our ore body. The results of the recent diamond tender in Botswana showed strong pricing for diamonds in the better quality categories, however the smalls, browns and near gems remain under pressure. With the restructuring that was undertaken in Q1, we are continually focusing on increasing Liqhobong's revenue per carat in 2012, by reducing breakage, and in developing the Main Treatment Plant in order to reach our target of producing over 1 million carats per annum by 2015. The feasibility study has gained significant momentum and we are still on track for completion by the end of June 2012".*

QUARTERLY UPDATE

Liqhobong, Lesotho

Production Update

Two large diamonds weighing 39 carats and 26 carats respectively, both fragments from much bigger stones, were recovered in March. The 39 carat stone is a light yellow, whilst the 26 carat stone is white. Both stones are gem quality and their discovery is further confirmation that the Liqhobong resource can produce large high quality diamonds. This was endorsed in April by the recovery of an unbroken 74 carat light yellow gem diamond, the largest recovered at Liqhobong to date. These three diamonds will be put on sale at the next diamond tender in the second quarter of 2012. A major focus for the current quarter will be to improve the value of diamonds recovered by reducing further diamond breakages and increasing the focus on recovering larger stones. The first stage of improving the value of recoveries from the mine was to increase tonnage throughput.

Production throughput at Liqhobong was affected during the quarter as the pilot plant was stopped for seven shifts in order for a number of modifications to be undertaken aimed at increasing tonnage throughput. The total treated of 129,000 tonnes for the first quarter of 2012 was therefore seven per cent. below budget. The maintenance shut-down went according to plan and the plant is now achieving a much higher sustained throughput of around 100 tonnes per hour. The second maintenance shut-down, aimed at decreasing the breakage of the larger diamonds is planned for completion in June, which is essentially replacing the secondary scrubber and trommel screen with a double deck screen and a bin and pan feeder that will continually choke feed the secondary crusher. Planning for the shut-down is at an advanced stage and work will commence in May 2012.

45,491 carats were recovered during the quarter, which was nine per cent. below budget primarily as a result of the slow ramp up following the plant modifications. A grade of 35.4 carats per hundred tonnes was recovered which was three per cent. below target due to the need to mine out of plan for a short period of time in order to move rain water dams in the open pit.

A total of 67,148 carats were sold at the two tenders held during the quarter, which realised gross revenues of \$4,773,000 and \$71 dollars per carat. This price is higher than the \$59/ct reported for the previous six months, though still below the \$123/carats realised at our June 2011 tender. Whilst the prices of the better quality diamonds is strengthening and in some categories close to June 2011 levels, the prices of the browns, near gems and smalls remains depressed and under pressure.

The Main Treatment Plant's DFS continued to gather momentum during the quarter with all of the design work for the plant, tailings dam and site infrastructure being completed with the focus turning to costing of the project and financial evaluation and modelling. The DFS is on schedule to be completed end June 2012.

Financial

Following the completion of the circa £14.3 million (net of costs) fund raising and the operational restructuring during Q1, the Company is in a strong financial position, with sufficient cash resources to meet its foreseeable working capital requirements.

Management Changes

The Company is pleased to announce the appointment of Grant Ferriman as Chief Financial Officer of the Company, effective 1 July 2012. Grant, a South African based chartered accountant, is currently the Group Financial Controller of Mwana Africa Plc. Grant's knowledge and experience in both financial reporting of UK listed companies with Southern African based assets as well as system controls and procedures will add significantly to the strength of the management team. Grant's appointment follows the resignation of Angus Ogilvie as Finance Director of the Company during April 2012.

Outlook

The strategic focus of the Company has now shifted to improved diamond value management and the development of the Main Treatment Plant at Liqhobong. To this end, planned investments in the pilot plant at Liqhobong are expected to increase production and reduce diamond breakages over the short term and the Main Treatment Plant's DFS is on track for completion end June 2012.

The Company is also in the process of reviewing its strategy in relation to its exploration portfolio and will provide an update to the market in this regard in due course.

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