



Quarterly Update on Operations

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

Quarterly Update on Operations

Firestone Diamonds plc (AIM: FDI), a new diamond producer with operations focused in Lesotho, provides its quarterly update on operations at its Liqhobong Diamond Mine ("Liqhobong") for the quarter ended 31 March 2018 (Q3 of the Company's 2018 financial year). Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho.

Third Quarter ended 31 March 2018 summary

- Solid operational performance despite challenging conditions due to above average rainfall during the wet season:
 - Recoveries 6.6% higher than Q2 at 192,604 carats, resulting in a year-to-date ("YTD") total of 572,320 carats;
 - Grade of 22.2 carats per hundred tonnes ("cpht"), higher than 18.8 cpht in Q2 and 20.6 cpht YTD;
 - 869,126 tonnes treated, making a total for the first nine months of FY2018 of 2.8 million tonnes, ahead of budget; and
 - Costs for Q3 of US\$13.03 per tonne treated and US\$12.3 per tonne treated YTD despite stronger local currency.
- A total of 217,380 carats sold in the quarter (Q2: 156,942 carats), realising revenue of US\$17.6 million (Q2: US\$12.5 million) at an average value of US\$81 per carat (Q2: US\$80 per carat); and
- Zero lost time injury record maintained with over 5.8 million man hours worked since project commencement in July 2014.

Stuart Brown, Chief Executive Officer, commented: *"Despite experiencing several disruptions during the quarter due to heavy, above average rainfall, the orebody has started to deliver the higher grades we have been expecting and so carats produced increased compared with the previous quarter."*

"In the first nine months of the financial year, Liqhobong has recovered fewer carats than planned due to the adverse weather and higher water levels in the main pit, particularly in February and March, which restricted access to the higher grade ore blocks. We still expect to achieve annual production at the lower end of guidance of 800,000 to 850,000 carats, as mining progresses in the higher grade ore."

Operations

The quarter was particularly challenging from an operational perspective as a result of adverse weather conditions which, although providing welcome rainfall, caused more disruptions to operations than planned for during the wet season. This resulted in fewer tonnes treated, however, the higher grade achieved of 22.2 cpht (Q2: 18.8 cpht) as mining progressed to higher grade ore blocks resulted in a 6.6% increase in diamonds recovered compared to Q2.

In the quarter ended 31 March 2018, Liqhobong treated 869,126 tonnes of ore (Q2: 963,213 tonnes) at an average throughput rate of 509 tph (Q2: 521 tph). 192,604 carats were recovered (Q2: 180,709 carats), reflecting the treatment of higher grade ore. A further increase in grade is expected in the final quarter of FY2018 as mining of higher grade areas of the pit resumes.

During the quarter, 93 specials (plus 10.8 carats) were recovered (Q2: 80) which was encouraging although, overall, the average quality still remained somewhat below expectation.

A combination of fewer tonnes treated and local currency strength against the US\$, resulted in an increase in the costs for the quarter, including waste stripping, to US\$13.03 per tonne treated (Q2: US\$11.60 per tonne treated), which is still below the forecast of US\$13.80 per tonne treated for the 2018 financial year. Management continues to focus on managing the costs within their control.

As announced in December 2017 the Company is pursuing a revised mine plan with the objectives of delivering the best returns in the medium term at low risk whilst at the same time offering the optionality of taking advantage of the longer life of mine potential of the Liqhobong orebody should realised diamond values increase or should there be a sustained improvement in market conditions. The Company is making good progress on delivering this plan and is pleased to report that in the first three months of the revised plan we have realised slightly better values of US\$81 per carat due to a combination of better rough market conditions and the recovery of a few exceptionally valuable small fancy coloured stones.

The Company continues to plan for mining to progress across the pit over the next 15 months, which will provide a truer representation of diamond quality and pricing than has been possible from the access to limited production areas during the ramp-up period.

Health & Safety

Liqhobong has an industry-leading health, safety and environmental record. Despite the challenging conditions experienced during the quarter, it is pleasing to report that there were no significant environmental incidents and that the outstanding health and safety record was maintained with no lost time injuries since project commencement in July 2014 with over 5.8 million man hours worked to date.

Financial

Cash available at the quarter end was US\$18.1 million (Q2: US\$29.7 million before the December loan repayment of US\$6.0 million which was paid in January 2018), and was higher than the plan as a result of rigorous cost control and good cash management. The cash balance excludes proceeds from the March sale of US\$8.2 million which were received shortly after month-end and payments to creditors in respect of March of US\$1.0 million, which were settled in early April.

The restructuring of the ABSA debt facility received approval from South Africa's Export Credit Insurance Corporation during the quarter and now remains subject only to final documentation, which is expected to be completed in Q4.

Diamond Sales

A total of 217,380 carats were sold in the quarter (Q2: 156,942 carats). The sales achieved an average value of US\$81 per carat (Q2: US\$80 per carat), yielding proceeds of US\$17.6 million (Q2: US\$12.5 million).

The rough diamond market continued to strengthen during the first quarter of 2018 with confidence returning after a successful retail season. Very competitive bidding was seen together with continued price recovery on the lower category run of mine goods. Supply of lower value goods across the market is still plentiful but better quality goods are in demand as are fancy colours, evidenced by the strong demand for the special fancy pink and yellow stones that were offered by Liqhobong. Positive retail numbers from the US and China give rise to cautious optimism on rough diamond pricing for the balance of 2018. This is of course predicated on the supply of rough diamonds remaining in balance with demand. If major producers remain responsible and global macro conditions remain supportive then there is some cause for cautious optimism that the confidence in the rough market will continue through the remainder of the year with sustained improvement in rough prices.

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").

For more information please visit www.firestonediamonds.com or contact:

Firestone Diamonds plc +44 (0)20 8741 7810
Stuart Brown

Macquarie Capital (Europe) Limited (Nomad and Broker) +44 (0)20 3037 2000
Nick Stamp
Nicholas Harland
Guy de Freitas

Tavistock (Public and Investor Relations) +44 (0)20 7920 3150
Simon Hudson
Jos Simson
Gareth Tredway

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. 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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