Amendment to Standby Facility

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Firestone Diamonds plc
("Firestone", the "Group" or the "Company") (AIM: FDI)

Amendment to the Standby Facility, drawdown of US$5.0 million
and issue of shares

Firestone Diamonds plc, the AIM-quoted diamond company, announced on 26 April 2017 that commissioning activities at its Liqhobong Diamond Mine (**"Liqhobong"**) were largely complete and that final ramp up was progressing on track, having achieved the plant's nameplate throughput capacity on multiple occasions since the commencement of operations.

Operations at Liqhobong continue to progress well and recoveries and grade are improving in line with management's expectations. Accordingly, the Company now expects to recover approximately 360,000 carats in the financial year ending 30 June 2017, against April's guidance of 300,000 carats.

The Company has also commenced quarterly repayments under the terms of its US$82.4 million ABSA debt facility, having achieved first production, and made its first capital repayment of US$1.4 million in March 2017.

The current US$15.0 million standby facility provided by Resource Capital Fund VI L.P. ("**RCF**") (the **"Standby Facility"**) expires on 30 June 2017 and, while the Company has sufficient financial headroom to continue operations and meet its debt repayment obligations as they fall due, the Directors of the Company have decided to extend the Standby Facility to provide the Company with a prudent level of financial and operational flexibility.

Accordingly, the Company and RCF have agreed to extend the Standby Facility for a further year to 30 June 2018, subject to the Company drawing US$5.0 million on signature of the amendments to the Standby Facility. As a result, the Company has submitted a drawdown request to RCF for US$5.0 million under the Standby Facility and as at 21 June 2017, assuming receipt of the US$5.0 million and including the proceeds from the Company's first diamond sale for the current quarter, the Company will have cash on hand of US$13.1 million.

The balance of US$10.0 million remaining under the Standby Facility will give the Company the ability to maintain a prudent working capital buffer and to provide the Company with the flexibility to continue to optimise mining operations as they see fit.

Summary of the amendments to the Standby Facility

- US$5.0 million drawn on signature of the amendments. A further US$10.0 million available until 30 June 2018
  - Further drawdowns will be for a minimum of US$2.0 million and in increments of US$1.0 million
- The final redemption of the Standby Facility shall now be no later than 36 months following the first drawdown, being 21 June 2020
- Arrangement fee of US$0.3 million payable to RCF for the amendments to the Standby Facility to be satisfied by

the issue of 556,680 new ordinary shares of 1 pence each ("**Ordinary Shares**")

- All other terms of the Standby Facility remain the same, including being structured by way of Series B Bonds
- The proposed amendments are a related party transaction for the purposes of the AIM Rules for Companies ("**AIM Rules**") as RCF is a substantial shareholder in the Company

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Amendments to the Standby Facility

As detailed in the Company's announcement and circular of 24 April 2015, the Company and RCF entered into the Standby Facility. The Standby Facility was to be drawn in up to three tranches for up to, in aggregate, US$15.0 million before the end of June 2017. The Company and RCF have agreed to extend the availability period of the Standby Facility by a further year, until 30 June 2018, subject to the Company drawing US$5.0 million on signature of the amendments to the Standby Facility. Accordingly, the Company has now submitted a drawdown request to RCF for US$5.0 million, with the remaining US$10.0 million to be drawn in minimum tranches of US$2.0 million and in increments of US$1.0 million before 30 June 2018.

In consideration for the amendments, the Company will pay RCF an arrangement fee of US$0.3 million to be satisfied by the issue of 556,680 Ordinary Shares. In addition, RCF has agreed to waive the US$75,000 establishment fee previously payable to RCF on initial drawdown of the Standby Facility.

All other terms of the Standby Facility will remain the same, as detailed in the announcement and circular of 24 April 2015. The Standby Facility will still be structured by way of the Company issuing up to US$15.0 million principal amount of secured quoted US$1,000 denomination Eurobonds with an interest rate of 8.0 per cent. per annum (the "**Series B Bonds**"). Pursuant to the bond subscription agreement governing the Series B Bonds, which has been amended to reflect the amendments to the Standby Facility, the Company has been granted put options by RCF to require RCF to purchase any or all of the Series B Bonds at a price of US$1,000 per Series B Bond up to a maximum of US$15.0 million (the "**Series B Options**").

The Series B Bonds will be listed on the Cayman Islands Stock Exchange. Following the exercise of the Series B Options in respect of the first US$5.0 million of Series B Bonds, the Company has applied for the listing and admission of the Series B Bonds to the Cayman Islands Stock Exchange and will be freely transferable.

On the exercise of a Series B Option, the Company will also issue warrants to RCF ("**Warrants**") (that can only be exercised by way of a redemption of the Series B Bonds) in order to facilitate a potential conversion of the principal and accrued interest of the Series B Bonds, at the sole discretion of the warrantholder, into new Ordinary Shares on their redemption. Under the terms of the warrant instrument, the exercise price shall be determined at the time of issue of each tranche of Series B Bonds and shall be the lower of: (a) an amount equal to a 10.0 % premium to the volume weighted average price of an existing Ordinary Share calculated over the 30 day period immediately prior to the issue of the relevant tranche of Series B Bonds; and (b) 37.5 pence.

The redemption terms of the Series B Bonds remain the same, expect that the final redemption date shall now be no later than 36 months following the first exercise of a Series B Option, being 21 June 2020.

Related party transaction

RCF is a substantial shareholder as defined in the AIM Rules, in that they currently have an interest in more than 10.0 per cent. of the Company's issued share capital.

Accordingly, the amendments to the terms of the Standby Facility and the associated issue of the Ordinary Shares to RCF constitutes a related party transaction in accordance with Rule 13 of the AIM Rules.

The Directors (apart from Mr Keith Johnson, who is RCF's nominee on the Board and therefore not deemed to be independent) consider, having consulted with the Company's nominated adviser, Strand Hanson, that the terms of the amendments to the Standby Facility and the associated issue of Ordinary Shares to RCF are fair and reasonable insofar as its shareholders are concerned.

Admission and total voting rights

Application has been made to the London Stock Exchange plc for the 556,680 new Ordinary Shares to be issued to RCF as part of the amendments to the Standby Facility to be admitted to trading on AIM (**"Admission"**). Admission and dealings in the new Ordinary Shares is expected to commence at 8.00 a.m. on 29 June 2017. On Admission, the Company will have 317,471,892 Ordinary Shares in issue.

The Company does not currently hold any Ordinary Shares in treasury. Accordingly, the above figure of 317,471,892 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Following the issue of the new Ordinary Shares, RCF will be interested in 75,684,082 Ordinary Shares respectively, representing approximately 23.84 per cent. of the Company's issued ordinary share capital.

City Code

As set out in the announcement and circular dated 24 April 2015, and Under Rule 9 of the City Code (to which the Company is subject), any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares of a company which (when taken together with shares in which any person(s) acting in concert with him are interested) carry 30 per cent. or more of the voting rights of that company, or any person, together with persons acting in concert with him, who is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any other person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, such person will normally be required to make an offer to the holders of shares in that company to acquire all of the shares in that company not held by him or persons acting in concert with him. Such an offer would have to be made in cash, or be accompanied by a cash alternative, at not less than the highest price paid for any interest in shares by that person or by any person acting in concert with him within the 12 months prior to the announcement of such offer.

Following Admission, RCF will be interested in 75,684,082 Ordinary Shares (equal to 23.84 per cent. of the Company's then issued ordinary share capital). RCF also holds warrants to subscribe for 24,393,218 Ordinary Shares at an exercise price of 37.5 pence which were issued in 2014 as part of the then financing (the "**2014 Warrants**"). If RCF exercised its 2014 Warrants in full, RCF would, assuming the Company has not issued any further Ordinary Shares and RCF has not disposed of any Ordinary Shares, be interested in approximately 29.27 per cent. of the Company's then enlarged issued share capital.

The number of new Ordinary Shares to be issued on exercise of the Warrants cannot be calculated as at the date of this announcement as it will be determined by reference to the redemption amount of the Series B Bonds (being equal to the principal amount and accrued interest calculated at the time of exercise of the Warrants), the exercise price (calculated at the time of issue of each tranche of Series B Bonds) and the 20-day average exchange rate of the £:US$ currency exchange rate at the time of issue of each tranche of Series B Bonds.

Accordingly, assuming the Company exercises the Series B Options in full and RCF subsequently elects to exercise both the 2014 Warrants and Warrants in full and that, save as set out in this paragraph, RCF retains its holding in Ordinary Shares and the Company does not issue any further Ordinary Shares, the resulting issue of the new Ordinary Shares upon such exercise of such warrants by RCF would likely result in RCF's shareholding (together with shares in which any person(s) deemed by the Panel to be acting in concert (as defined in the City Code) with it are interested) being equal to or greater than 30.0% of the Company's then enlarged issued share capital, and pursuant to Rule 9 of the City Code, RCF would then be obliged to make a mandatory offer in cash (or accompanied by a cash alternative) for the entire issued Ordinary Share capital not held by it (or any person(s) deemed by the Panel to be acting in concert with it) at the highest price paid by RCF (or any person(s) deemed by the Panel to be acting in concert with it) for any interest in Ordinary Shares acquired in the previous 12 months.

It is at RCF's sole discretion in relation to the Series B Bonds (or any other warrantholder, to the extent that the Warrants have been transferred) as to whether it elects to exercise the Warrants and if the Warrants are not exercised, the Company will accordingly redeem the Series B Bonds for cash at the Maturity Date.

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").

Background information on Firestone

Firestone is an international diamond mining company with operations focused in Lesotho. Firestone is currently in the process of commencing production 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' Letseng Mine, Firestone's Liqhobong Mine and Namakwa Diamonds' Kao Mine.

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

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