



Quarterly Update on Operations

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("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 30 September 2017 (Q1 of the Company's 2018 financial year). Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho.

Highlights for the quarter ended 30 September 2017

- Plant operating at nameplate capacity;
- Recovery of a 134 carat gem-quality light yellow diamond: the largest diamond recovered to date which will be included in the Company's next sale;
- A total of 195,330 carats sold in the quarter, including the second >US\$1 million stone;
- Mining proceeding to plan and operations gradually extending to mining more representative ore from the pit;
- As at 30 September 2017, cash on hand was US\$4.3 million;
- 199,007 carats recovered at a grade of 21.1 carats per hundred tonnes ("cpht") (FY 2017-Q4: 204,000 carats at a grade of 22 cpht); and,
- Zero lost time injury record maintained with almost five million hours worked.

Stuart Brown, Chief Executive Officer, commented:

"Production for the quarter has been very stable, we ended the quarter slightly above all our anticipated production targets. While the previously announced average value per carat was somewhat disappointing this is reflective of the combination of the lower than expected occurrence of better quality diamonds recovered during the quarter, the widely reported current market conditions where sales are weaker in the finer sizes and weaker demand due to the time of the year.

"We have started moving to other areas in the pit and as expected, we have seen the start of some improvement in average value per carat recovered. However, as highlighted in previous announcements, mining will progress into all areas of the pit in time and it will be some while before more representative volumes of all the ore types are mined and we can better establish our revised average value per carat for planning purposes. As with many diamond deposits, the average value realised per carat may continue to show significant variability on a sale by sale basis. Pleasingly, the quarter ended on a highlight with the announcement of the recovery of our second plus 100 carat stone at the end of September."

Operations

In the quarter ended 30 September 2017, Liqhobong treated 944,582 tonnes of ore, at an average of 507 tonnes per hour. 199,007 carats were recovered during the quarter. Included in this was the largest diamond recovered to date, a 134 carat light yellow stone, as well as 45 specials (larger than 10.8 carats). This compares to 54 specials in the previous quarter.

Mining is proceeding to plan and Firestone is gradually extending operations to additional areas in the pit. Management expects to be able to fully optimise operations as more detailed knowledge of the pit is acquired over the coming months, and as previously announced is working on the details of a revised mine plan which will be published in due course.

Health & Safety

At the end of the quarter, Liqhobong maintained its outstanding health and safety record, having reached almost five million man hours worked without a single Lost Time Injury since the start of the project.

Financial

Despite local currency strength against the US\$, Firestone reports cost per tonne treated including waste stripping at US\$12.2 per tonne treated which is at the lower end of guidance. This cost is expected to rise as waste stripping increases over the remainder of the year.

Cash available at the quarter end was US\$4.3 million with a further US\$10.0 million available under the standby facility. During the quarter Liqhobong made its third ABSA bank repayment of US\$ 5.5 million, which included US\$0.8 million of interest. Firestone continues to work to finalise the new mine plan based on a revision of the expected average life of mine value per carat which it anticipates will be higher than the average value realised at the two sales reported for this quarter. With this in mind, Firestone continues to have positive discussions with both its major shareholders and its debt provider, ABSA Bank Limited, to reach a financing solution.

As previously advised, Firestone will update the market further once those discussions are complete and the revised mine plan is agreed, which is expected to be in Q4 CY2017.

Diamond Sales

A total of 195,330 carats were sold in the quarter including Liqhobong's second >US\$1 million stone, a 45 carat clean white stone. The sales this quarter achieved an average value of US\$69 per carat, yielding proceeds of US\$13.5 million. Since commencement of production in Q4 CY2016, Firestone has sold all 505,706 carats recovered, for US\$41.3 million, at an average value of US\$82 per carat.

The overall market environment has seen a combination of oversupply and the previously reported Indian de-monetisation programme which is still having an impact on the Run of Mine goods (+11 diamond sieve and smaller). In addition, the summer months are traditionally the quietest time in the rough selling season. In the medium term, the Board expects market conditions to improve.

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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Background information on Firestone

Firestone is an international diamond mining company with operations focused in Lesotho. Firestone commenced commercial production in July 2017 at the Lihobong Diamond Mine in Lesotho.

Lesotho is emerging as one of Africa's significant new diamond producers, hosting Gem Diamonds' Letseng Mine, Firestone's Lihobong Mine and Namakwa Diamonds' Kao Mine.

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

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