



# Trading Update, Diamond Tender and Board Change

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Firestone Diamonds PLC  
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## Firestone Diamonds plc

### Trading Update, Results of Diamond Tender and Board Appointments

25<sup>th</sup> July 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 a trading update for the second quarter of 2012, the results of its most recent diamond tender as well as the appointment of two new non-executive directors to its Board.

#### HIGHLIGHTS

##### Liqhobong Mine, Lesotho

- Diamond sales (July 2012)
  - Dual tender held in Gaborone and Antwerp
  - 45,773 carats sold realising \$4.14 million (\$91 per carat) (\$71 per carat received in May tender)
  - Tender included three large stones with aggregate size of 138 carats
- Pilot Plant Production (Q2, 2012)
  - 152,422 tons treated during the quarter, nine per cent above forecast
  - 49,240 carats recovered at a grade of 32.3 carats per hundred tonnes (cpht)
  - Carats recovered below forecast grade of 38.5cpht due to continued mining of lower grade K2 section
  - Plant modifications aimed at decreasing diamond breakage commenced during June and completed early July 2012
- Main Treatment Plant
  - Definitive Feasibility Study (DFS) largely completed and being reviewed
  - Finalisation expected in October 2012 to allow for external verification of cost and revenue assumptions and to assess future expected diamond values based on new data from recent Pilot Plant modifications

##### Financial

- Strong cash position of approximately \$16.3 million as at 30 June 2012, improved operating performance of the Pilot Plant and restructuring of the Company ensures sufficient funding for current operations, excluding financing for Main Treatment Plant development

##### Management

- Appointment of Julian Treger and Mike Wittet as non-executive directors effective 24 July 2012
- Appointment of Grant Ferriman as Chief Financial Officer effective 5 July 2012

##### Outlook

- Reduction in diamond breakage, increase in the incidence of larger stones and improved diamond values
- Strategic focus remains the completion of the Liqhobong DFS in Q4 2012 and subsequent development of the project

Tim Wilkes, the CEO of Firestone Diamonds, commented: *"We have continued to build on the positive production and carat recovery trends from Q1. The second planned shutdown during the latter half of June has gone very smoothly and the plant is ramping up towards a steady state of ~2000 tonnes per day. This latest shutdown is expected to reduce diamond breakage and increase the recovery of larger stones, resulting in an overall increase in the value of our diamonds. The results of the dual tenders held in Gaborone and Antwerp are encouraging, especially when compared with the \$71 per carat realised during the May 2012 tender. This bodes well for the feasibility study on the Main Treatment plant, which will undergo final review for Board approval in October 2012.*

*In addition, the Company is pleased to announce the appointment of Julian Treger and Mike Wittet to the Board. Julian's wealth of experience in the capital markets combined with Mike's extensive operational experience will be invaluable as the Company moves into the project financing stage and subsequent construction of the Main Treatment Plant at Liqhobong,"*

## TRADING UPDATE

### Liqhobong, Lesotho

The results of the dual tender held during July in Gaborone and Antwerp were very encouraging. The Antwerp tenders allowed a number of new buyers to get exposure to the Liqhobong production and the Company is already planning its second dual tender for late September 2012.

A total of 45,773 carats were sold at the tender, which realised gross revenues of \$4.14 million or \$91 dollars per carat. This price is significantly higher than the \$71 per carat achieved during the previous quarter. The tender included three large stones with an aggregate size of 138 carats as well as numerous fancy yellow diamonds with an aggregate size of circa 500 carats. The dollar per carat achieved demonstrates continued strong demand for higher quality stones whilst some pressure remains on the poorer quality and smaller stones.

Further improvement in diamond values are expected following the completion of the recent plant modifications in June/July 2012. These modifications are expected to reduce the breakage of the stones and to enhance the recovery of larger stones.

152,422 tonnes were treated through the Pilot Plant during Q2, 2012. This is approximately 9% above forecast and is expected to increase further following the completion of the latest plant modifications. The secondary scrubber has been removed and replaced by a 4.2 meters double deck screen. Commissioning of this new screen feed arrangement, surge bins and pan feeders are now completed and the Plant is nearing steady state of circa 2,000 tonnes per day.

49,240 carats were recovered during the quarter, nine per cent below budget. A grade of 32.3 carats per hundred tonnes was achieved, 16% below target due to continued mining of the lower grade K2 ore to allow for the higher grade K5 ore to be mined and processed through the newly modified plant.

The DFS for the Main Treatment Plant is largely complete and independent engineers and other third party experts are reviewing the initial capital estimates, operating cost and revenue assumptions. Diamond values are expected to improve following the most recent Pilot Plant modifications and the production results from the Plant will be monitored and reviewed for possible inclusion in the DFS. Announcement of the final results of the DFS are now expected in September/October 2012 to allow for completion of this review and the external verification process.

### Financial

The Company's cash balance at the end of June 2012 was approximately \$16.3 million. The improved operational performance of the Pilot Plant combined with the positive impact of the recently completed strategic review and strong cash balance are sufficient to sustain the Company's current business activities for the foreseeable future, excluding the development of the Main Treatment Plant. The Company is investigating ways to fund future expansion with limited dilution to shareholders and initial discussions with external parties are already underway.

### Board Appointments

The Company is pleased to announce the appointment of Julian Treger and Mike Wittet as non-executive members to the Board of Directors effective 24 July 2012.

Julian Treger has almost 30 years of experience in capital markets and corporate transformation, which will assist the future development of Firestone. Julian sits on a number of company boards where he seeks to add value and in particular, he was instrumental in the restructuring of Western Coal, driving a strategy of value creation and ultimately disposing of the business for over US\$3 billion to Walter Energy in 2011.

Julian is a partner in Audley Capital Advisors LLP, which is an advisor to the Audley European Opportunities Master Fund, a significant shareholder in Firestone.

Mike Wittet has over 40 years experience in mining, the majority of which were spent in the diamond industry. His career includes various senior positions in the industry including General Manager of Jwaneng, Orapa and Namdeb diamond mines, Consulting Engineer in charge of De Beers SA and Deputy Managing Director of Debswana Diamond Company (Pty) Ltd. Mike holds an Honours Degree in Chemical Engineering from Edinburgh University in Scotland.

In addition, Grant Ferriman joined the Company as Chief Financial Officer effective 5 July 2012. He has extensive experience in financial reporting and control of companies listed on the London Exchange with mining assets based in Southern Africa. Grant is based in the Company's Gaborone office.

Following these appointments, the board of directors of the Company is as follows:

Lucio Genovese	Non-executive Chairman
Tim Wilkes	Chief Executive Officer
Paul Sobie	Non-executive Director
Braam Jonker	Non-executive Director
Julian Treger	Non-executive Director *
Mike Wittet	Non-executive Director

\* - Julian Treger sits on the Investment Committee of Audley European Opportunities Master Fund, a substantial shareholder in the Company and is therefore considered to be a non-independent non-executive Director.

### 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. The Plant modifications at the end of June 2012 have been completed and are expected to improve the overall value of the diamonds recovered from the operations with a resulting increase in operating margins.

The DFS for the Main Treatment plant is progressing well and completion and announcement of the results are expected towards October 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 due course. Furthermore, the Board of Directors will seek to maximise the value for shareholders in determining the future direction of these assets and given the current market conditions this process is likely to be slower than previously expected.

Tim Wilkes, Firestone Diamonds	+267 713 77686 / +44 20 8741 7810
Rory Scott, Mirabaud Securities (Broker)	+44 20 7878 3360
Robert Beenstock, N+1 Brewin (Nominated Adviser)	+44 20 3201 3170
Jos Simson / Emily Fenton, Tavistock Communications	+44 20 7920 3150 / +44 7899 870 450

**Information required to be disclosed pursuant to Rule 17 and Schedule 2 paragraph (g) of the AIM Rules.**

**Julian Andre Treger**, 49, is a partner of Audley Capital Advisors LLP and is currently a director of the following companies:

RM Auctions, Inc.  
Tinco Investments Limited  
Whetstone Minerals Limited

Within the past five years, Mr Treger has been a director of the following companies:

Active Value Advisors Limited  
Audley Advisors Limited  
Blackstar Investors plc  
BNB Recruitment Solutions plc  
Illuminator Holdings Limited  
Illuminator Investments Limited  
JAB Holdings Limited  
West African Diamonds  
Western Canada Coal Corp.

Mr Treger resigned as a director of BNB Recruitment Solutions plc in March 2009, before administrators were appointed in July 2009. The company is currently undergoing a Creditors' Voluntary Liquidation.

Audley Capital Advisors LLP advises clients with an interest in 57,697,384 ordinary shares of the Company and Mr Treger, through a Trust of which Mr Treger may be a beneficiary, is interested in 7,697,059 ordinary shares of the Company. Combined this represents 11.96% of the total voting rights of the Company.

**Michael John Carter Wittet**, 64, is not currently a director of any companies. Within the past five years, Mr Wittet has been a director of the following companies:

African Minerals Limited  
Kopane Diamond Developments plc

Other than the information contained within this announcement, there is no further information required to be disclosed by the AIM Rules.

**Background information on Firestone Diamonds:**

Firestone Diamonds plc is an international diamond mining and exploration company with operations focused on Lesotho and Botswana. Firestone currently operates the Liqhobong Mine in Lesotho and is also one of the largest holder of mineral rights in Botswana's diamondiferous kimberlite fields, controlling approximately 5,000 square kilometres including prospecting licenses around the major Orapa mine, as well as the entire Kokong and Tsabong kimberlite fields. In addition to Liqhobong and BK11, Firestone has 108 kimberlites in its portfolio, of which 30 have been proven to be diamondiferous to date.

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. Botswana is the world's largest and lowest cost producer of diamonds, with annual production worth over \$2.5 billion, and is considered to be one of the most prospective countries in the world to explore for diamonds.

This information is provided by RNS  
The company news service from the London Stock Exchange

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