Q4 Operations Update and Guidance for FY2020

Released : 25 Jul 2019 07:00

RNS Number : 6417G
Firestone Diamonds PLC
25 July 2019

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

Final Quarter & Full Year Update on Operations, and Guidance for FY 2020

Firestone Diamonds plc (AIM: FDI), provides its quarterly update on operations at its Liqhobong Diamond Mine ("Liqhobong") for the quarter ended 30 June 2019 (Q4 of the Company's 2019 financial year), it's performance compared to market guidance for FY 2019, and guidance for FY 2020.

Fourth Quarter ended 30 June 2019 summary

- One Lost time injury (Q3: lost time injury free);
- Diamond recoveries of 208 572 carats, 34% higher than Q3 of 155 206 carats;
- Grade of 23.0 carats per hundred tonnes ("cpht"), higher than the 18.0 cpht in Q3, and 22.6 cpht overall for FY 2019;
- Ore tonnes treated of 904 902 tonnes, higher than Q3 of 862 838 tonnes;
- Waste tonnes moved for the quarter of 1 337 281 tonnes (Q3: 1 242 481 tonnes);
- Operating cost of US$12.57 per tonne treated (Q3: US$11.55 per tonne treated);
- Notable recoveries of a 72 carat yellow makeable diamond, a 22 carat makeable white diamond and an 11 carat fancy light-pink diamond;
- A total of 177 521 carats sold, lower than Q3 of 211 368 carats due to timing of sales, realising revenue of US$12.7 million (Q3: US$16.8 million) at an average value of US$71 per carat (Q3: US$80 per carat) and an average value for FY 2019 of US$73 per carat;
- Cash balance as at 30 June 2019 of US$26.3 million (Q3: US$29.9 million) after the first capital repayment to ABSA of US$1.9 million, following an 18 month capital grace period which came to an end on 30 June 2019, which reduced the outstanding loan balance to US$65.9 million (Q3: US$67.8 million); and
- Waiver received from ABSA Bank Limited ("ABSA") for certain of its covenants measured as at 30 June 2019 in terms of the US$82.4 million Senior Secured Term Facility Agreement.

FY 2019 results compared to guidance

The company achieved its market guidance for the financial year to end-June 2019:

- Diamond recoveries of 829 458 carats (FY 2018: 835 832 carats), within guidance of between 820 000 and 870 000 carats;
- Ore tonnes treated of 3.7 mt (FY 2018: 3.8 mt), within of guidance of between 3.6 and 3.8 mt;
- Waste tonnes moved of 4.4 mt (FY 2018: 2.9 mt), within guidance of between 4.3 and 4.8 mt; and
- Operating cost of US$11.49 per tonne treated (FY 2018: US$11.62 per tonne treated), significantly lower than guidance of between US$15.00 and US$16.00 per tonne treated.

FY 2020 guidance

- Diamond recoveries of between 820 000 and 870 000 carats;
- Ore tonnes treated of between 3.6 and 3.8 mt;
- Waste tonnes moved of between 6.0 and 6.5 mt; and
- Operating cost of between US$13.50[1] and US$14.50[1] per tonne treated.

1 - Based on an average Rand:USDollar exchange rate of R14.50

Post Quarter Highlights

- Recovery of a 54-carat intense fancy yellow, sawable diamond in July. The diamond will go on sale at the next tender which is scheduled to take place during September 2019.

Paul Bosma, Chief Executive Officer, commented:
"The fourth quarter performance was solid from an operational perspective, helping us achieve our guidance range for all items for FY 2019. From a market and pricing perspective, it was a tough financial year, particularly for the smaller, lower value goods and these conditions are expected to persist for the rest of 2019 and possibly improving during 2020 when global rough supply is expected to reduce.

As reported previously, the Company has actively engaged with its debtholders to ensure it can sustain operations through the current downturn and to be well positioned to benefit when the global supply-demand dynamics improve."

Operations
During the quarter ended 30 June 2019, Liqhobong treated 904 902 tonnes of ore, which was more than the 884 252 tonnes and 862 838 tonnes that were treated in Q2 and Q3 respectively, resulting in 3.7 mt for FY2019, within guidance of between 3.6 and 3.8 mt. Tonnes treated during the quarter were higher than the previous two quarters as fewer unscheduled plant repairs were necessary.

Mining progressed to the higher grade southern part of the pit during the quarter resulting in the recovery of 208 572 carats which was 34% more than the previous quarter of 155 206 carats, taking total carats recovered for FY 2019 to 829 458 carats, achieving guidance of between 820 000 and 870 000 carats. Although the recovered grade of 23.0 cpht was higher than the previous quarter of 18.0 cpht, it was 9% below the expected reserve grade which seems at this stage to result from treating harder, more competent ore in the southern part of the pit. Work is on-going to improve post-blast fragmentation as well as further optimisation of the tertiary crushing section to improve liberation and throughput.

During the quarter, 82 stones of plus 10.8 carats were recovered (Q3: 64 stones). However, the overall average value of the +10.8 carat stones recovered during Q4 was lower than Q3 due to fewer better quality stones.

It is pleasing to report that the positive trend on waste tonnes moved continued into the final quarter when, with an increased fleet which included the additional items of machinery that were mobilised in the previous quarter, 8% more waste of 1 337 281 tonnes was moved (Q3: 1 242 481 tonnes), bringing total waste tonnes moved for FY 2019 to 4.4 mt, within guidance of 4.3 to 4.8 mt.

Safety, Health & Environment
The company recorded a lost time injury during the quarter, which fortunately, was not too serious. No major environmental incidents were recorded during FY 2019.

Financial
A combination of continued cost savings and local currency weakness against the US dollar, resulted in operating costs for the quarter of US$12.57 per tonne treated (Q3: US$11.55 per tonne treated) including waste stripping, and US$11.49 per tonne treated for FY 2019 which was significantly lower than guidance of between US$15.00 and US$16.00 per tonne treated. As expected, the positive impact of the weaker local currency continued into the final quarter of FY 2019 when costs were US$2.6 million lower than planned. Costs for the financial year were US$10.0 million lower than planned, US$4.0 million due to cost savings in local currency terms and US$6.0 million as a result of the weaker currency which averaged R13.28 to the US dollar compared to the planned rate of R12.50. The cash balance at the end of the quarter was US$26.3 million (Q3: 29.9 million).

Diamond Sales
A total of 177 521 carats were sold (Q3: 211 368 carats), realising revenue of US$12.7 million (Q3: US$16.8 million) at an average value of US$71 per carat (Q3: US$80 per carat). Average diamond values were lower than the previous quarter despite the sale of several notable stones including a 72 carat yellow makeable stone, a 22 carat makeable white stone and an 11 carat fancy light-pink stone, due mainly to the sale of fewer high value stones compared to Q3 and a slightly higher proportion of run of mine category goods.

The prices realised for the smaller goods that make up the bulk of our production by volume remain subdued mainly due to a build-up of rough and polished inventory in the midstream. Prices are expected to increase during 2020 as rough supply reduces as a result of lower production volumes from De Beers and the anticipated closure of Argyle mine.

Guidance for FY 2020
The Company continues to mine broadly according to the most recent mine plan which was announced in December 2017. During FY 2020, the Company once again plans to treat between 3.6 and 3.8 mt of ore and to recover between 820 000 and 870 000 carats. The Company plans to develop the mine further through increased stripping of between 6.0 and 6.5 mt of waste rock.

Total cash costs for the year, including waste, are expected to be higher than in FY 2019 mainly as a result of the increased waste stripping requirement, and to range between US$13.50 and US$14.50 per tonne treated based on an average Rand:USDollar exchange rate of R14.50. The cost to move a tonne of waste is expected to range between US$2.50 and US$3.00. Corporate costs are expected to remain between US$3.5 million and US$4.0 million. ABSA debt repayments of US$10.2 million are scheduled to be paid during FY 2020 and are expected to be funded from a combination of operating cash flow and existing cash resources, as required.

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 in Lesotho. Firestone commenced commercial production in July 2017 at the Liqhobong Diamond Mine. Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho. Lesotho is 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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