



Quarterly Update on Operations

Released : 29 Oct 2018 07:00

RNS Number : 3954F
Firestone Diamonds PLC
29 October 2018

29 October 2018

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 30 September 2018 (Q1 of the Company's 2019 financial year). Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho.

First Quarter ended 30 September 2018 summary

- First lost time injury recorded in the quarter after 6.7 million hours worked LTI-free since July 2014, with the employee returning to work three days later;
- 240,733 carats recovered at a grade of 23.8 carats per hundred tonnes ("cpht") (Q4-FY18: 263,512 carats at a grade of 25.7 cpht);
- 1,012,323 tonnes of ore treated, (Q4-FY18: 1,025,647 tonnes);
- Cost per tonne treated of US\$10.05 (Q4-FY18: US\$10.98), substantially lower than FY19 guidance of US\$15-16 per tonne treated;
- A total of 194,206 carats sold in first sale of the financial year (Q4-FY18: 261,985 carats), realising revenue of US\$13.5 million (Q4-FY18: US\$18.6 million);
- Average value of US\$70 per carat (Q4-FY18: US\$71 per carat), below expectation mainly due to a deterioration in prices received for the smaller, lower value run of mine ("ROM") stones; and
- Net cash at the end of the quarter of US\$25.7 million (Q4-FY18: US\$27.8 million).

Post Quarter events

- A total of 102,835 carats sold realising total proceeds of US\$8.2 million, in the second sale of FY19 on 26 October;
- Average value realised of US\$79 per carat, despite continued pressure on the ROM stones;
- A number of special stones were sold including a 68 carat white diamond, the third most valuable stone sold to date for just under US\$1.0 million, and a 20 carat fancy yellow diamond; and
- Recovery of a 326 carat near-gem diamond, the largest stone recovered to date at Liqhobong.

Paul Bosma, Chief Executive Officer, commented:

"The first quarter was a good start to our financial year and it is pleasing that the positive operational momentum from the previous quarter was maintained. We held one sale during the quarter which was impacted by lower average values realised for the smaller, lower quality ROM stones. However, from a total revenue perspective, the impact was partly offset by higher sales volumes. We completed our second sale of the financial year post the quarter end, and pleasingly, the strong demand for our special stones offset the continued pricing pressure on the ROM stones, resulting in an improved average value realised of US\$79 per carat. During October we also recovered our largest stone to date, a 326 carat near-gem diamond which provides further evidence of Liqhobong's large stone potential and importantly, the ability of the treatment plant to recover larger stones intact."

Operations

The exceptional operational performance continued into the first quarter of the 2019 financial year, when, despite a cold winter in the Lesotho highlands and a number of days of snow which resulted in minor production delays, 1,012,323 tonnes of ore (Q4-FY18: 1,025,647 tonnes) were treated at an average throughput rate of 540 tonnes per hour ("tph") (Q4-FY18: 530

tph). Production continued to be focused in the higher grade southern half of the pit where a sump is being excavated in preparation for the rainy season and 240,733 carats were recovered during the quarter (Q4-FY18: 263,512 carats) resulting in a grade of 23.8 cph (Q4-FY18: 25.7 cph).

Waste stripping of Cut 2 south commenced during the quarter. New access roads and excavation platforms were established against the steep southern flank of the valley. Waste mining tonnages are planned to increase during the year as more working space is established.

During the quarter, 114 special stones (plus 10.8 carats) were recovered (Q4-FY18: 114 stones). The average quality and size improved in September with the recovery of several better quality diamonds which were sold at the recent tender which realised an average value of US\$79 per carat.

A combination of cost savings and continued local currency weakness against the US dollar, resulted in a decrease in the operating costs for the quarter, to US\$10.05 per tonne treated (Q4-FY18: US\$10.98 per tonne treated) including waste stripping, well below the guidance range of between US\$15 and US\$16 per tonne treated. Costs for the quarter were US\$1.2 million lower than planned as a result of the weaker local currency and a further benefit of US\$1.3 million will be realised against the plan as forward exchange currency contracts that are currently in place, mature over the next quarter.

Work on the mine plan continued during the quarter to consider the viability of extending the life of mine.

Health & Safety

The company recorded its first lost time injury during the quarter after having worked a total of 6.7 million man-hours since project commencement in July 2014. Fortunately, the incident was not too serious with the employee returning to work three days later. The team will continue to focus on safety in the workplace as a priority in an effort to maintain the exemplary safety record.

Financial

Cash available at the end of the quarter was US\$25.7 million (Q4-FY18: US\$27.8 million, adjusted for timing of sales proceeds at the end of the quarter) which included proceeds of US\$13.5 million from the September sale.

Diamond Sales

Due to the European holiday season and religious holidays, only one sale was planned for the first quarter. A total of 194,206 carats were sold (Q4-FY18: 261,985 carats), realising revenue of US\$13.5 million (Q4-FY18: US\$18.6 million) at an average value of US\$70 per carat (Q4-FY18: US\$71 per carat).

The demand for smaller stones below 3 grainers remained subdued as experienced by many producers including De Beers. This was mainly as a result of the pressure on the Indian midstream due to a weak local currency and reduced lending into the industry. Looking forward, indications are, that based on strong GDP growth and favourable employment rates in the United States, which accounts for almost half the global polished diamond demand, the industry can expect a strong end of year retail season for diamond jewellery.

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
Paul Bosma
Grant Ferriman

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

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 Liphobong Diamond Mine in Lesotho. Lesotho is emerging as one of Africa's significant new diamond producers, hosting Gem Diamonds' Letšeng Mine, Firestone's Liphobong Mine, Namakwa Diamonds' Kao Mine and Lucapa's Mothae Mine.

-ends-

Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

UPDEAPEPALKPFFF