



# Annual General Meeting

## Lqhobong Diamond Mine

January 2020

## Key Facts

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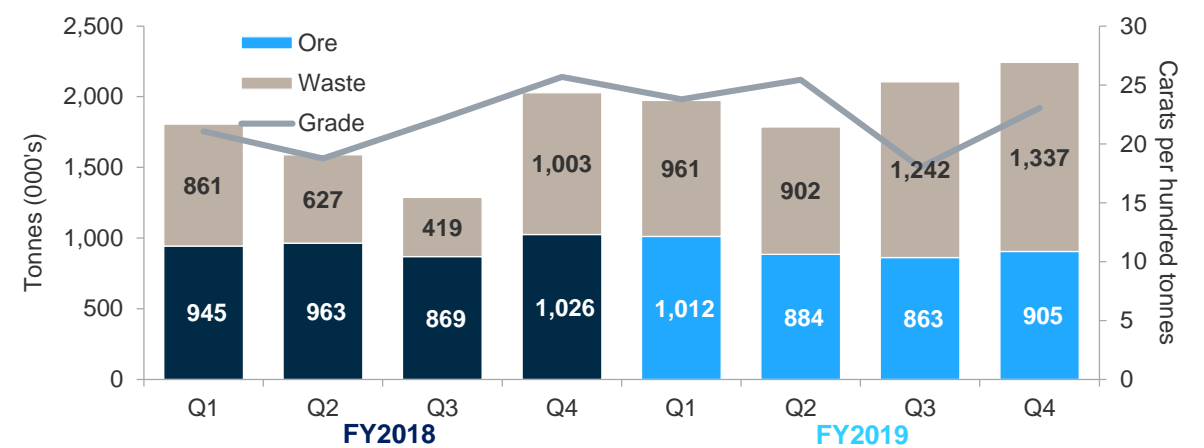
- Firestone Diamonds is an AIM-listed (AIM: FDI) diamond mining company and holds a 75% interest in the Liphobong Diamond Mine, located in the Lesotho highlands, with its 25% partner, the Government of Lesotho
- Early 2014 US\$222m raised to fund project comprising US\$100m equity and the remainder debt
- Construction of the mine completed early Q4 2016, ahead of revised schedule and on budget (US\$185.4m)
- Firestone joined the short list of new diamond producers in late October 2016 when first diamond recoveries commenced. Declared commercial production from 1 July 2017
- Challenges when prices were lower than anticipated
- As a result, at the end of 2017, a new shorter life mine plan was developed, US\$25m capital raised and debt payment deferred for 18 months until June 2019 during which a better understanding of the deposit would be obtained
- Diamond market downturn continued during 2018 and 2019 necessitating another debt standstill to be finalised during 2020

# Production Results – FY2019

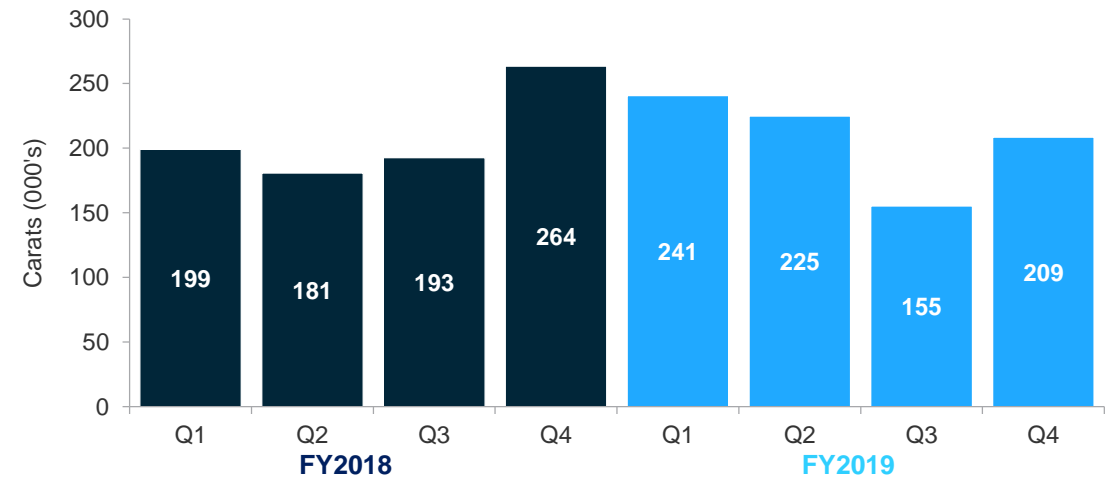
Liqhobong continued its strong operational performance, meeting or exceeding guidance in all respects.

- Operational targets, meeting or exceeding guidance**
- 3.7 Mt of ore treated (FY2018: 3.8 Mt)
  - 829 458 cts recovered (FY2018: 835 832 cts)
  - 79% overall plant utilisation (FY2018: 84%)
  - 4.4 Mt of waste mined (FY2018: 2.9 Mt)
  - Cash Operating cost per tonne treated (incl. waste) of US\$11.48 (FY2018: US\$11.62)
  - Reduced diamond damage to below 2% of all +5 carat stones recovered (FY2018: 11.2%)

**Operational performance - tonnes and grade**



**Operational performance – diamond production**

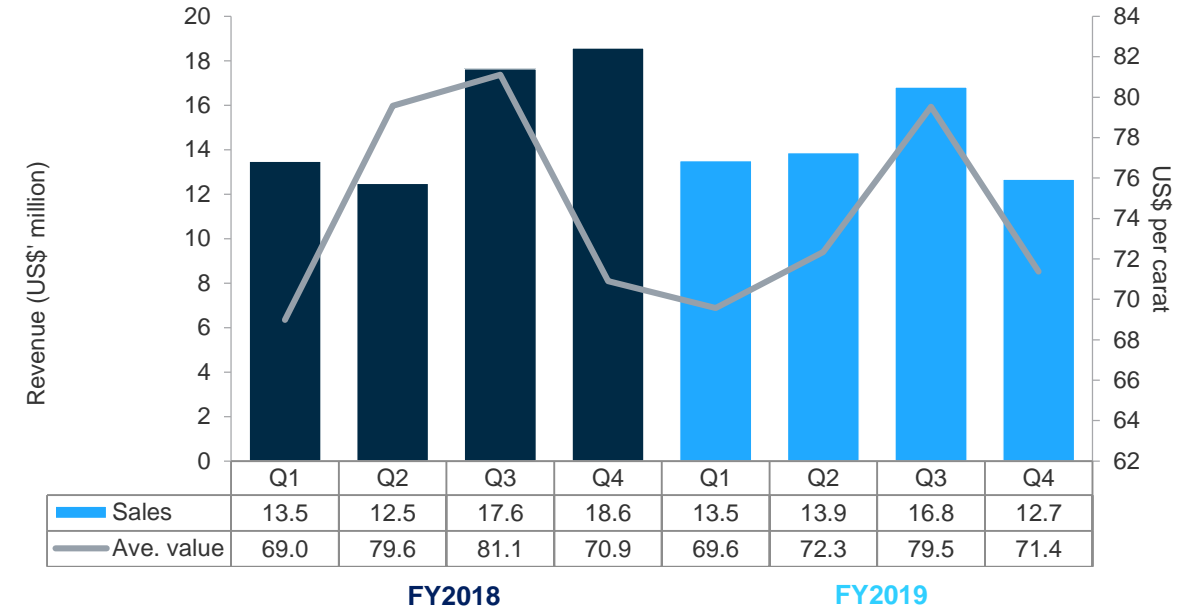


# Financial Results – FY2019

## Financial

- Revenue of US\$56.9 million from 774 830 carats sold at an average value of US\$73/ct (FY2018: US\$75/ct)
- Costs of US\$11.48 per tonne treated including waste stripping (FY2018: US\$11.62)
- Cash generated from operations of US\$11.7 million (FY2018: US\$7.7 million)
- Mine operations remain cash positive
- Cash balance at period end of US\$26.3 million (FY2018: US\$18.4 million)
- Loss of US\$56.9 million mainly due to an impairment charge of US\$41.6 million and a deferred tax charge of US\$6.3 million

## Diamond Sales



### Average value per carat impacted by:

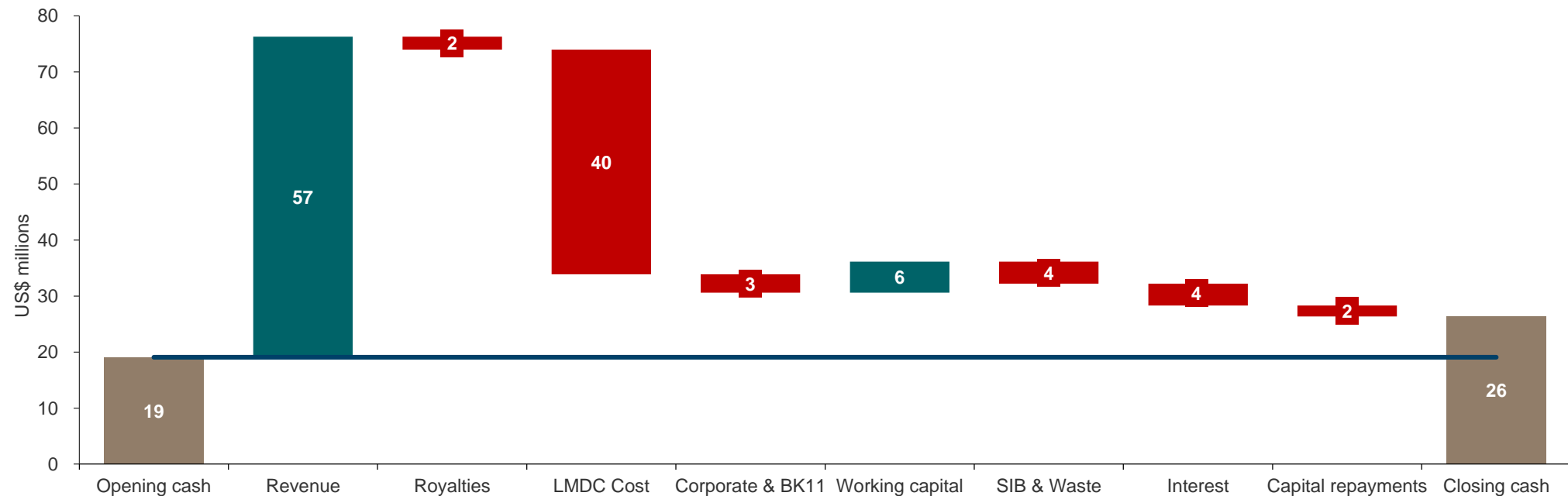
- Frequency of high value diamonds
- Prices achieved at tenders especially for the smaller goods that have remained under pressure

# Cash Flow – FY2019

## Consolidated cash flow

### KEY ITEMS

- US\$11.7 million EBITDA generated from operations
- US\$3.9 million net interest paid
- US\$5.4 million working capital inflow
- US\$1.9 million capital repayments to ABSA
- US\$26.3 million closing cash



## FY2019 Operational Highlights

- Lost Time Injury Frequency Rate of 0.23 and 4 star NOSA safety rating achieved;
- 21% increase in total tonnes mined to 8.1 mt (2018: 6.7 mt);
- Ore tonnes treated on target at 3.7 mt (2018: 3.8 mt);
- 53% increase in waste tonnes mined to 4.4 mt (2018: 2.9 mt);
- Lower operating cost per tonne treated of US\$11.48 (2018: US\$11.62);
- 829 458 carats recovered (2018: 835 832 carats);
- Largest diamond recovered to date - a 311 carat near-gem diamond; and
- Two plus \$1 million stones sold including most valuable stone to date at US\$1.6 million
- Two fancy pink stones that sold for more than \$30,000 per carat

### 311 carat

US\$ 0.23 million  
*US\$ 741 per carat*  
Near gem



### 70 carat

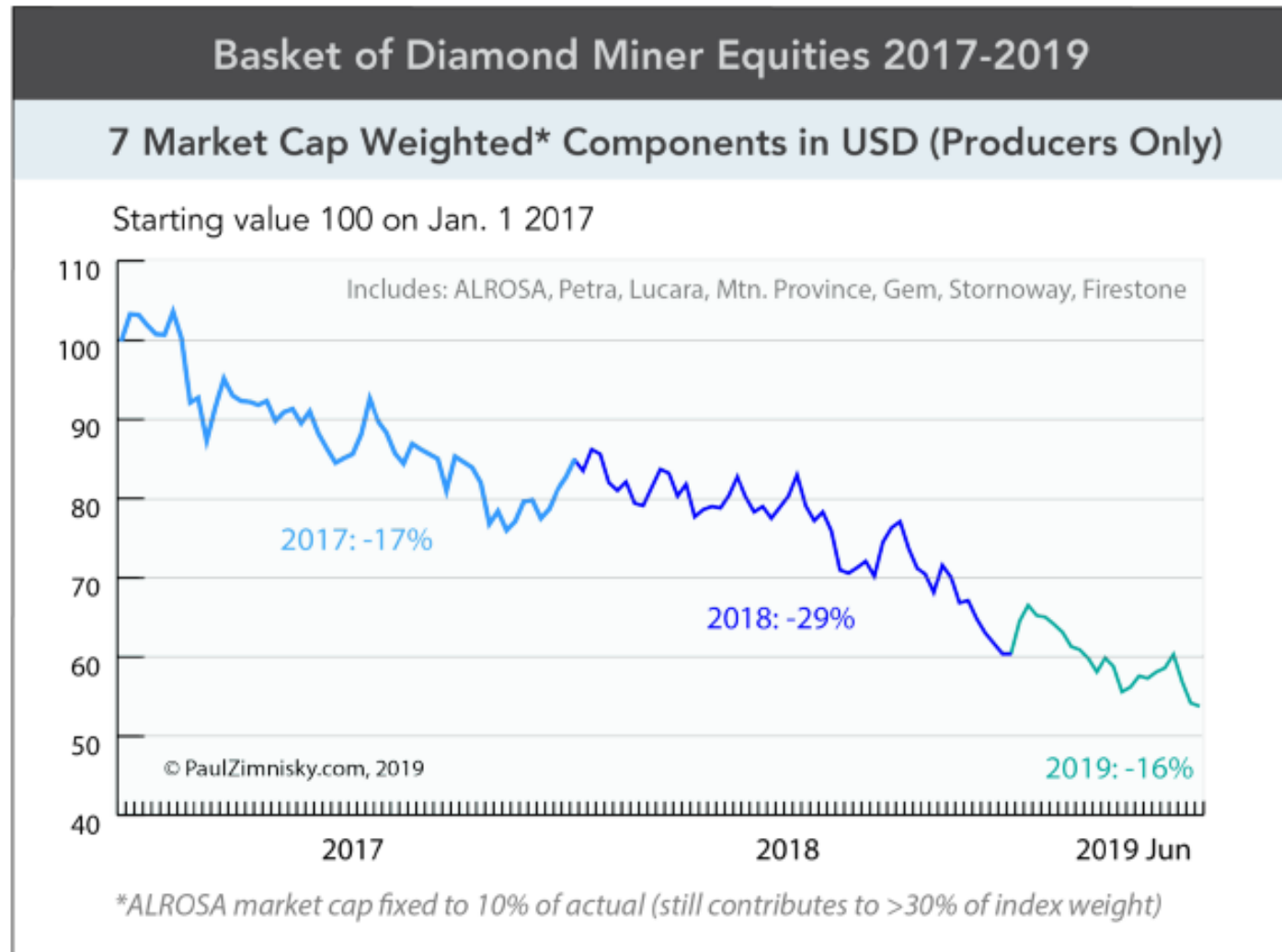
US\$ 1.62 million  
*US\$ 23 006 per carat*  
White makeable



# Industry Performance



The diamond mining sector continued to underperform global equity markets during FY2019



# Challenges

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- Poor market dynamics persisted throughout 2019 due to oversupply of rough particularly in the smaller sizes
- Average value achieved during FY2019 of \$73 per carat compared against the 2016 DFS assumption of \$107 per carat
- Power interruption during October and November negatively affected revenue generation – closing cash position at the end of December 2019 was US\$16.5 million
- Unable to service debt at current diamond prices and therefore requested ABSA for another debt standstill until 31 December 2020 which was agreed in principle at the end of 2019
- At current diamond prices, our forecast shows that unrestricted cash will be low in certain months and therefore a working capital standby facility of \$6m was negotiated with our Bondholders
- Term sheets are in place with both ABSA and the Bondholders regarding the facilities mentioned above
- Impossible to predict timing of recovery of market



## Looking forward

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- It is unclear if and when diamond prices will recover therefore the company must do all it can to ensure we survive the current downturn by reducing costs and improving efficiency
- Continued strong focus on the elements we can control
- Complete definitive agreements for debt repayment standstill until March 2021
- Complete definitive agreements for US\$6m standby facility provided by bondholders
- Complete mineral resource and LOM plan update by end of March 2020
- Operational improvement focus to increase plant throughput on a sustainable basis
- Cost reduction drive leaving no stone unturned:
  - Operation – together with contractors drive cost reduction initiatives
  - Board – review size and costs
  - Corporate overheads – review all possible cost savings

# Resolutions

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- Resolution 1: That the Company's annual accounts for the financial year ended 30 June 2019, together with the directors' report and the auditors' report on those accounts be received.
- Resolution 2: That BDO LLP be re-appointed as auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next general meeting of the Company at which the Company's accounts are laid.
- Resolution 3: That BDO LLP be re-appointed as auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next general meeting of the Company at which the Company's accounts are laid.
- Resolution 4: To appoint Mr Mike Stirzaker as a Director.
- Resolution 5: To appoint Ms Eileen Carr as a Director.
- Resolution 6: To re-appoint Mr Paul Bosma as a Director.
- Resolution 7: To re-appoint Mr Patrick Meier as a Director.
- Resolution 8: To re-appoint Mr Lucio Genovese as a Director.

# Resolutions

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- Resolution 9: To re-appoint Mr Keith Johnson as a Director.
- Resolution 10: To re-appoint Mr Ken Owen as a Director.
- Resolution 11: To consider whether any, and if so, what steps should be taken to deal with a serious loss of capital as defined in Section 656 of the Companies Act 2006 (the “Act”).
- Resolution 12: That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all of the powers of the Company to allot ordinary shares in the Company or grant rights to subscribe for or convert any security into ordinary shares in the Company.
- Resolution 13: That the Directors be empowered to allot equity securities for cash under the authority given by resolution 12 as if section 561 of the Act did not apply to any such allotment.
- Resolution 14: That the Directors be empowered in addition to any authority granted under resolution 13, to allot equity securities as if section 561 of the Act did not apply to any such allotment.

# Final Voting Figures 2020



| Resolution | Votes For   | Votes Against | Discretionary Votes | Votes Withheld |
|------------|-------------|---------------|---------------------|----------------|
| 1          | 527,046,367 | 0             | 1,085               | 1,894          |
| 2          | 527,046,867 | 0             | 1,023               | 1,456          |
| 3          | 527,045,993 | 771           | 1,023               | 1,559          |
| 4          | 527,031,983 | 0             | 1,023               | 16,340         |
| 5          | 527,020,765 | 165           | 1,023               | 27,393         |
| 6          | 526,941,983 | 90,000        | 1,023               | 16,340         |
| 7          | 526,941,583 | 90,500        | 1,023               | 16,240         |
| 8          | 527,031,483 | 600           | 1,023               | 16,240         |
| 9          | 527,031,483 | 500           | 1,023               | 16,340         |
| 10         | 527,032,083 | 0             | 1,023               | 16,240         |
| 11         | 468,296,385 | 0             | 1,023               | 58,751,938     |
| 12         | 404,728,694 | 122,312,162   | 1,023               | 7,467          |
| 13         | 404,728,594 | 122,312,809   | 1,023               | 6,920          |
| 14         | 404,728,756 | 122,312,809   | 1,023               | 6,758          |