



Bank and Bondholder Support for Covenant Waiver

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

Bank and Bondholder Support for Covenant Waiver

Firestone is pleased to announce that, with the support of its Bondholders, Pacific Road Resources Fund II L.P., Pacific Road Resources Fund II and Resource Capital Fund VI L.P. ("Bondholders"), its 75% owned subsidiary Liqhobong Mining Development Company (Pty) Ltd ("Liqhobong"), has received a waiver 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. The waiver is supported by the Export Credit Insurance Corporation of South Africa ("ECIC"), which has provided commercial and political risk insurance to ABSA. The next measurement date will be 30 June 2020.

Background

Mining operations at the Liqhobong Mine have performed well, as detailed in the quarterly operational updates reported for the first nine months of the current financial year. Tonnes mined and treated were in line with the Company's plans and operating costs remained below budget.

However, despite the recovery of several higher value diamonds at the Liqhobong Mine during the 2019 financial year, and an average value realised for the third quarter of US\$80 per carat, the average value realised for the three quarters ended 31 March 2019 remained below expectation at US\$74 per carat. The lower average value was impacted mainly by lower prices realised for the smaller, lower value goods, which has also affected many other diamond mining companies and the wider diamond industry.

Certain of the ABSA covenants are forward looking and require forecast assumptions to be made. In light of the current pricing climate, lower average dollar-per-carat values have been employed by Firestone in these covenant calculations, which has adversely affected the covenant measurement and given rise to the need for waivers in respect of two of the six covenants.

Despite these factors, the mine continued to generate positive cash flows after finance costs and the Group continues to be in a strong liquidity position with a cash balance of US\$26.2 million as at 30 June 2019. The cash balance is stated 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.

Waiver condition

As a condition to ABSA's covenant waiver, the Company has obtained an undertaking from the Bondholders to waive the requirement for the Company to pay quarterly interest in cash or in shares on the Series A Eurobonds for the 12 month period from 1 July 2019 to 30 June 2020, subject to an agreement on alternative arrangements being reached with the Bondholders.

Previously the Company has issued ordinary shares to pay quarterly interest amounts due. However, due to consequences of the UK takeover Code, in the absence of shareholder approval to permit the Bondholders to receive ordinary shares thereby increasing their shareholding to above 30% without triggering a mandatory offer to minorities, the Company would be unable to issue further ordinary shares at the next interest due date, being 30 September 2019.

The Company has undertaken to work collaboratively with the Bondholders and other stakeholders including minority shareholders to agree a means through which the Company can continue to fulfil its obligations to service interest on the Eurobonds and satisfy the requirements of all its lenders.

Paul Bosma, Chief Executive Officer, commented:

"We are grateful for the strong support we have received from ABSA, the ECIC and our Bondholders in what is a tough period for the smaller stone segment of the diamond market. Operations continue to perform well, and we aim to ensure that we remain in a strong position to benefit from an improvement in the pricing environment in the future."

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

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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 Lihobong Diamond Mine. Lihobong 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 Lihobong Mine, Namakwa Diamonds' Kao Mine and Lucape's Mothae Mine.

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