



Shareholder Circular and Notice of General Meeting

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

Shareholder Circular and Notice of General Meeting

Firestone Diamonds plc, the AIM-quoted diamond mining company, announces that a circular (the "Circular") has today been posted to shareholders convening a general meeting to be held at 11.00 a.m. on 17 October 2019 to approve, *inter alia*, the continued issue of ordinary shares of 1 pence each ("Ordinary Shares") as interest payments under the terms of the US\$30 million Series A Eurobond debt facility (the "Series A Bonds") to Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II (together "Pacific Road") and Resource Capital Fund VI L.P. ("RCF").

This follows the announcement on 1 July 2019, in which ABSA Bank Limited agreed a waiver (the "ABSA Waiver") for certain of its covenants measured as at 30 June 2019 under the terms of the US\$82.4 million senior secured term facility agreement.

As a condition to the ABSA Waiver, the Company obtained an undertaking from RCF and Pacific Road (together, the "Bondholders") to waive the requirement for the Company to pay quarterly interest in cash on the Series A Bonds 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 which had accrued in respect of the Series A Bonds. However, due to consequences of the Takeover Code, and the terms of the Series A Bonds, the Company requires Independent Shareholder approval to permit the Bondholders to receive further Ordinary Shares from 30 September 2019 (the "September Interest Date") (which would, if such Ordinary Shares are issued, result in an increase in each of their shareholdings to 30 per cent. and above) without triggering a mandatory offer to shareholders under Rule 9 of the Takeover Code.

The Company wishes to continue to service the interest on the Series A Bonds through the issuance of Ordinary Shares (the "Series A Interest Shares") to the Bondholders and is therefore seeking approval to issue up to 195,309,376 Series A Interest Shares, in aggregate, to the Concert Parties (as defined in the Circular) on a non-pre-emptive basis in respect of the settlement of the interest due under the Series A Bonds for the 12 month period, from and including the September Interest Date to and including 30 June 2020, comprising a further four quarterly payments in September 2019, December 2019, March 2020 and June 2020 (the "Share Issuance Period").

The Series A Bonds are repayable in two tranches, US\$20 million due on 4 August 2022 and US\$10 million due on 3 January 2023 and require the servicing of interest until those dates; arrangements for interest payments beyond 30 June 2020 will be addressed in due course.

In addition, the Company has not been able to issue shares on a non-pre-emptive basis for the June Interest Date because the authorisations provided at the AGM to issue shares on a non-pre-emptive basis would be exceeded. Therefore, the Directors are separately seeking approval to issue 16,391,523 Series A Interest Shares to the RCF Concert Party and 16,391,523 Series A Interest Shares to the Pacific Road Concert Party on a non-pre-emptive basis in respect of the interest due under the Series A Bonds as at the June Interest Date (with the Bondholders having agreed for interest to be paid no later than 30 October 2019 as per the Deferral Letter). The resultant voting rights of the RCF Concert Party would be 29.82 per cent. and the resultant voting rights of the Pacific Road Concert Party would be 29.72 per cent.

The issue of Series A Interest Shares to the RCF Concert Party during the Share Issuance Period will increase the interest of the RCF Concert Party in the voting rights of the Company from 29.82 per cent. (including the deferred issue of 16,391,523 Series A Interest Shares issued pursuant to the June Interest Date) up to a maximum of 34.79 per cent. (assuming a maximum of 97,654,688 Series A Interest Shares are issued throughout the period at one pence per Series A Interest Share). Equally, the issue of Series A Interest Shares to the Pacific Road Concert Party during the Share Issuance Period will increase the interest of the Pacific Road Concert Party in the voting rights of the Company from 29.72 per cent. (including the deferred issue of 16,391,523 Series A Interest Shares issued pursuant to the June Interest Date) up to a maximum of 34.71 per cent. (assuming a maximum of 97,654,688 Series A Interest Shares are issued throughout the period at one pence per Series A Interest Share).

The Takeover Panel has agreed to waive the obligation on each Concert Party to make a mandatory offer to all Shareholders under Rule 9 of the Takeover Code which would be triggered as a result of the increase in the voting rights in the Company of each Concert Party above 30 per cent., due to the issuance of the Series A Interest Shares, subject to the approval of the Independent Shareholders.

At the Company's AGM, the Directors were granted authority to allot Ordinary Shares up to an aggregate nominal amount of £261,969 (representing 26,196,900 Ordinary Shares) on a non-pre-emptive basis. Since the AGM this share authority has been fully utilised. In order for the Company to continue issuing Ordinary Shares in respect of the quarterly interest payments pursuant to the Series A Bonds and, in particular, ensuring that its obligations to the Bondholders at the next quarterly interest payment date are met, the Directors are seeking Shareholder authority to issue further Ordinary Shares on a non-pre-emptive basis.

Trading update

Save as described in the paragraph below, there has been no significant change in the trading or financial position of the Company since 31 December 2018, the date up to which the most recent unaudited interim financial statements were published.

As announced previously, trading conditions continue to be challenging due to the ongoing depressed pricing of rough diamonds across the industry as well as fewer valuable stones recovered resulting in lower than expected average values being realised; and recovered grades lower than the expected reserve grade. While the Group's cash balance is US\$21.0 million as at 30 September 2019, the trading environment remains difficult and as a result the Company is actively engaging with its debtholders to ensure it can sustain operations through the current downturn. However further deterioration in the financial or trading position is possible and may have material implications for the solvency of the Company independently of the passing of the Resolutions.

General Meeting

A general meeting of the Company, notice of which is set out in the Circular, will be held at 11.00 a.m. on 17 October 2019 at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU to seek Shareholders' support for the Resolutions.

The Company has received irrevocable undertakings from certain Shareholders (including Sustainable Capital Ltd and Edwards Family Holdings Ltd) to vote in favour of the Resolutions at the general meeting in respect of, in aggregate, 126,186,966 Ordinary Shares representing approximately 22.32 per cent. of the existing issued ordinary share capital of the Company and 52.14 per cent. of the Ordinary Shares entitled to vote on the Whitewash Resolutions.

Document availability

An electronic copy of the shareholder circular can be accessed at the Company's website: www.firestonediamonds.com

Terms not otherwise defined in this announcement shall have the meaning given to them in the Circular.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.

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 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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