



Disposal process re Company's Botswana assets

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Firestone Diamonds plc
("Firestone" or the "Company") (AIM: FDI)

Disposal process in respect of the Company's Botswana operations

Further to the announcement dated 19 February 2014, Firestone Diamonds plc, the AIM-quoted diamond development company, today announces that it has commenced the disposal process in respect of its Botswana operations. Firestone has appointed Questco Pty Limited ("Questco"), a South Africa-based corporate finance adviser, with prior experience in the successful sale of other diamond assets in Sub-Saharan Africa, to manage the sale process.

Firestone's principal investment in Botswana is its BK11 mine. Following a strategic review, the mine was placed under care and maintenance in February 2012, when the board of Firestone (the "Board") decided to focus on the Company's interests in the Kingdom of Lesotho, for which it raised US\$225.2 million earlier this year.

The Board has therefore considered various strategic alternatives for its Botswana operations and, given the extent of the interest expressed in the BK11 mine, has decided to undertake a competitive disposal process.

Highlights

The Botswana operation's primary asset is the BK11 mine and the Company also has a number of ancillary assets in country.

The Board is of the view that its Botswana operations present a rare opportunity that has the ability to deliver strong returns under the ownership of an operator or operators for whom it would be a core asset for, *inter alia*, the following reasons:

- 11.5Mt of production in the mine plan over, a life of mine of 10 years, at an average grade of 8.5cpt
- Potential to substantially improve the yield from the BK11 treatment plant with the introduction of further capital investment
- Fully commissioned electrical power infrastructure that was ready for connection to BK11 when the BK11 operations were placed on care and maintenance
- No LDD sampling has been performed below a depth of 150m, however core holes have been drilled down to depths of 250m and the results thereof indicate primary kimberlite and continuity to depth
- High quality infrastructure is in place due to the existence of the Debswana (50/50 partnership between the Government of the Republic of Botswana and the De Beers group) mines (Letlhakane and Orapa) in the region
- Significantly coarse BK11 mine production parcels with lack of any boart or industrial material
- As of 30 June 2013, the combined tax loss in respect of the Botswana operations is estimated to be approximately BWP399 million/US\$45 million

About the Botswana operations

The BK11 mine is located in the Orapa kimberlite field in northern Botswana, approximately 7km north-west and 20km south-east of Debswana's Letlhakane and Orapa mines respectively, and is within 5km of Karowe mine which is currently operated by Lucara Diamond Corporation.

The surface area of BK11 is estimated to be 9.6Ha and overburden, consisting of Kalahari sands and calcretes, is shallow at, on average, less than 4m. Up to 20m of intensely calcretised and silcretised, highly diluted low grade material lies directly above the pipe (K1). The BK11 kimberlite has been shown to be a classic 'champagne glass' shaped pipe with a large crater bowl filled with layered volcanoclastic deposits (K2-K3) and talus slope deposits, commonly known as country rock breccia, closer to the crater walls. A rather

less-well delineated 'neck' of more massive volcanoclastic kimberlite (K4) and basalt breccia underlies the crater. The western and central side of the kimberlite pipe at BK11 is characterised by a cleaner and subsequently higher grade kimberlite, containing a higher proportion of clear white crystals with very little board. However, the eastern side of the kimberlite pipe at BK11 is characterised by dirty, heavily diluted and therefore lower grade kimberlite. No LDD sampling has been performed below a depth of 150m, however core holes have been drilled down to depths of 250m and the results thereof indicate primary kimberlite resource and continuity to depth.

The mining operations at BK11, prior to the mine being placed on care and maintenance, consisted of ore being loaded from the open pit and/or existing stock piles by hydraulic excavators onto five 25 tonne ADTs which then transported material to the BK11 treatment plant for processing and recovery of diamonds.

Diamond sales tenders in respect of the BK11 mine yielded the following:

Date	Carats Sold	Average price per carat (US\$)
15 December 2010	2,162	177
21 April 2011	2,241	230
5 July 2011	2,036	235
14 September 2011	1,549	242
5 December 2011	6,619	107
12 January 2012	3,032	207
12 March 2012	1,192	148

The BK11 mining license was granted in July 2010. Under the current BK11 mine plan approximately 11.5Mt of kimberlite was planned to be mined at an average grade of 8.5cpht, resulting in total production of approximately a million carats over a 10 year mine life. Firestone began mining operations at BK11 during the third quarter of 2010. In February 2012, BK11 began to experience technical problems in respect of the BK11 Treatment Plant's ability to successfully liberate diamonds due to the absence of secondary and tertiary crushing circuits. In addition to the technical problems experienced, further capital investment is required in order to confirm higher grade kimberlite at depth.

In response to the technical issues experienced, the increased capital requirements of BK11 and the weakening of the diamond market, the Company underwent certain restructuring initiatives during its 2012 financial year. The most significant of these initiatives was a shift in operational and financial focus to the Company's Lihobong Mine in Lesotho. This shift in focus resulted in the Botswana operations being placed on care and maintenance as the Company considered its strategy in relation to its exploration portfolio.

In addition to the BK11 mine, the remaining assets in the Botswana operations sale package include:

- a 5tph bulk sampling plant
- a 25tph pilot plant
- a self-contained diamond recovery grease plant

Process for registering Expressions of Interest

Bids will be considered for the Botswana operations as a complete sale package only. Interested parties may download documentation relating to this sale process by visiting the Firestone website (www.firestonediamonds.com) and clicking on the link on the Firestone homepage entitled 'Botswana Operations Disposal Process'. The sale process documentation includes an overview of the Botswana operations, a description of the envisaged sale process, a confidentiality undertaking and a credentials questionnaire.

Under no circumstances should the management or employees of Firestone be contacted about this matter directly. All information that an interested party would require at this stage of the sale process is included in the abovementioned documentation.

Interested parties are invited to submit expressions of interest, along with signed confidentiality undertakings and completed credentials questionnaires, by no later than 5:00 p.m. BST / 7:00 p.m. Central African time on Friday 29 August 2014 in order to be considered for participation in the sale process.

Potential transactions arising from the sale process will be subject to detailed scrutiny and, apart from financial objectives, Firestone will consider prospective purchasers' approach to health and safety, environmental management and other issues fundamental to the long term success of the Botswana operations for all stakeholders.

The information in this announcement has been reviewed by Mr Tim Wilkes, BSc, Pr Sci Nat, who is a qualified person for purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr Wilkes is a consultant to the Company and has over 30 years' experience in diamond exploration, mineral resource management and mining. Mr Wilkes is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).

Glossary

ADT	articulated dump truck
cpht	carats per hundred tonnes
cts	carats
LDD	large diameter drilling

Mt million tonnes
tph tonnes per hour
US\$/ct US dollar per carat

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Background information on Firestone

Firestone is an international diamond development company with operations focused on Lesotho and Botswana. Firestone is currently in the process of developing the main treatment plant at the Liqhobong Mine in Lesotho to become a plus-one million carat per annum producer.

Lesotho is emerging as one of Africa's significant new diamond producers, and hosts Gem Diamonds' Letseng Mine, Firestone's Liqhobong Mine, as well as Namakwa Diamonds' Kao Mine and the Mothae development project.

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

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