



Quarterly Update on Operations

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Firestone Diamonds PLC
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("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 31 December 2017 (Q2 of the Company's 2018 financial year). Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho.

Quarter ended 31 December 2017 summary

- Solid operational performance:
 - 963,213 tonnes treated, making a total for the first six months of FY2018 of 1.9 million tonnes, just ahead of budget with tonnes per hour ("tph") treated of 521 (budget: 509)
 - Recoveries slightly lower than Q1 at 180,709 carats, resulting in a year-to-date ("YTD") total of 379,716 carats
 - Overall grade for Q2 of 18.8 carats per hundred tonnes ("cpht") and 20.0 cpht YTD
 - Costs reduced to US\$11.60 per tonne treated despite adverse exchange rate movements;
- A total of 156,942 carats sold in the quarter, realising US\$12.5 million at an average of US\$80 per carat (Q1: US\$69 per carat);
- Zero lost time injury record maintained with over 5.3 million man hours worked since project commencement in July 2014;
- Revised mine plan adopted to maximise cash flow in the shorter term while addressing the issues affecting value recovered; and
- Successful capital raise of US\$25 million and bank debt rescheduling subject to final ECIC approval in Q1 2018 - cash on hand at period end of US\$29.7 million, before the December loan repayment of US\$6.0 million which was paid in January 2018.

Stuart Brown, Chief Executive Officer, commented: *"Mine production for the quarter has been very solid, with yet another quarter-on-quarter increase in tonnes treated since the mine was commissioned. The average value per carat achieved improved on the previous quarter, while the sale held in December was stronger than the first sale earlier in the period. There is cautious optimism on diamond pricing in 2018 after positive initial year-end retail numbers out of the US and China.*

"Despite the recovery of fewer carats in the period, grades are expected to improve in the second half as mining moves to higher grade areas of the pit."

Operations

In the quarter ended 31 December 2017, Liqhobong treated 963,213 tonnes of ore (Q1: 944,582 tonnes) at an average of 521 tph (Q1: 507 tph). 180,709 carats were recovered (Q1: 199,007 carats), reflecting the treatment of ore from a lower grade block resulting in a lower grade achieved of 18.8 cpht (Q1: 21.1cpht). An increase in grade is expected in the second half of FY2018 as mining moves to higher grade areas of the pit.

During the quarter, 80 special stones (plus 10.8 carats) were recovered (Q1: 45) which was pleasing although overall, the average quality remained somewhat below expectation.

Despite local currency strength against the US\$, cost per tonne of ore treated, including waste stripping, was reduced to US\$11.60 per tonne (Q1: US\$12.20 per tonne). Management will continue to manage costs as well as possible, given the operational constraints. With the stronger local currency, cost per tonne is expected to increase over the second half of the year.

Liqhobong's revised mine plan's objective is to deliver the best returns in the medium term at low risk whilst at the same time offering optionality of taking advantage of the longer life of mine should the average diamond values increase or should there be an improvement in market conditions. The revised plan is over a shorter nine-year period and involves the stripping of 76.0 million fewer waste tonnes. A far more representative area of the pit will be mined over the next 18 months, which should improve the likelihood of recovering higher quality stones and, in turn, provide a truer representation of diamond quality and pricing than has been possible from production to date.

Health & Safety

Liqhobong has an industry-leading health, safety and environmental record. During the quarter, there were no environmental problems or incidents to report and the outstanding health and safety record was maintained with no lost time injuries since project commencement in July 2014 with over 5.3 million man hours worked to date.

Financial

Cash available at the quarter end was US\$29.7 million (Q1 quarter end: US\$4.3 million), reflecting the successful capital raise of US\$25 million that completed at the end of December. Cash on hand at period end was before the final loan repayment of US\$6.0 million ahead of the 18 month repayment holiday period during which only interest is required to be serviced.

Diamond Sales

A total of 156,942 carats were sold in the quarter (Q1: 195,330 carats, including Liqhobong's second >US\$1 million stone, a 45 carat clean white stone). The sales achieved an average value of US\$80 per carat (Q1: US\$69 per carat), yielding proceeds of US\$12.5 million (Q1: US\$13.5 million).

The overall diamond market for the two sales in the quarter was better than in Q1 with the December sale stronger than the October sale. Very competitive bidding was seen together with some price recovery on the lower category run of mine goods. Supply of lower value goods across the market is still plentiful but better quality goods are in demand as are fancy colours, as evidenced by the strong demand for the special yellow stones that were offered by Liqhobong. Initial retail numbers from the US and China seem positive with cautious optimism on diamond pricing for 2018.

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").

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About Firestone

Firestone is an international diamond mining company with operations focused in Lesotho. Firestone commenced commercial production in July 2017 at the Liqhobong Diamond Mine in Lesotho. Lesotho is emerging as one of Africa's significant new diamond producers, hosting Gem Diamonds' Letseng Mine, Firestone's Liqhobong Mine and Namakwa Diamonds' Kao Mine.

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