Quarterly Update and Guidance for FY 2019

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

Quarterly Update on Operations and Guidance for FY 2019

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 30 June 2018 (Q4 of the Company's 2018 financial year) and guidance for FY 2019. Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho.

Fourth Quarter ended 30 June 2018 summary

- Zero lost time injury record maintained with over 6.2 million man hours worked since project commencement in July 2014;
- The exceptional operational performance resulted in several new production related records during the final quarter and market guidance being achieved for the financial year to end-June 2018:
  - Recoveries 36.8% higher than Q3 at 263,512 carats, resulting in a full year total of 835,832 carats, within guidance of between 800,000 and 850,000 carats;
  - Grade of 25.7 carats per hundred tonnes ("cpht"), higher than 22.2 cpht in Q3 and 22.0 cpht for FY 2018;
  - Tonnes treated were 18.0% higher than Q3 at 1,025,647 tonnes, resulting in a full year total of 3.8 million tonnes ("mt"), ahead of guidance of 3.6 mt; and
  - Costs for Q4 of US$10.98 per tonne treated and US$11.91 per tonne treated in FY 2018 despite a stronger local currency during most of the year.
- A total of 261,985 carats sold in the quarter (Q3: 217,380 carats), realising revenue of US$18.6 million (Q3: US$17.6 million) at an average value of US$71 per carat (Q3: US$81 per carat) mainly due to a larger proportion of run of mine diamonds and fewer valuable stones recovered; and
- Net cash increased by $2.5m in the quarter to $27.8 million.

Paul Bosma, Chief Executive Officer, commented:

"The fourth quarter saw record production. We were able to access the high grade blocks in the mine plan and thanks to excellent operational performance we were able to achieve record carat recoveries. The increased volume translated in an improved cash position at the end of the financial year.

"As always, the average dollar per carat achieved is highly sensitive to the incidence of special stones, of which, we saw a lower incidence in this particular quarter. However, we continue to have grounds for optimism given the parts of the orebody we plan to exploit over the next 12 months. We recently completed a structural and geotechnical assessment of the pit and the outputs are now being used to rerun our life of mine plan. We look forward to updating the market in this respect during the first half of FY 2019."

Operations
The Company had an extremely successful quarter from an operational perspective and ended FY 2018 on a high note. The Company is pleased to report that ore tonnes treated, carats recovered, grade recovered, and operating costs set new records, beating all previous quarters. Fair weather conditions during the dry, early winter months, and processing more competent ore as mining progresses deeper in the pit contributed towards the higher processing throughput rates. The waste stripping target for the year was achieved with overall waste tonnes mined at 2.9 million.

In the quarter ended 30 June 2018, Liqhobong treated 1,025,647 tonnes of ore (Q3: 869,126 tonnes) at an average throughput rate of 530 tonnes per hour ("tph") (Q3: 509 tph). As expected, grade increased to 25.7 cpht (Q3: 22.2 cpht) as mining progressed to the higher grade areas of the pit. As a result, 263,512 carats were recovered during the quarter (Q3: 192,604 carats), taking total carat recoveries for FY 2018 to 835,832 carats, achieving guidance of between 800,000 and 850,000 carats.

During the quarter, 114 stones (plus 10.8 carats) were recovered (Q3: 93 stones) which was encouraging although, overall, the average quality still remained somewhat below expectation with the recovery of fewer valuable stones. All the weathered shallow ore has now been mined. We consider that the mix of facies mined in the upper parts of the orebody are not entirely representative of the overall diamond assortment and we remain hopeful of an improvement in average value as a result of an increased incidence of better quality, higher value specials in the future.

A combination of additional tonnes treated and local currency weakness against the US$, resulted in a decrease in the operating costs for the quarter, including waste stripping, to US$10.98 per tonne treated (Q3: US$13.03 per tonne treated). Excellent cost management throughout the year ensured that operating costs of US$11.91 were below guidance of US$13.80 per tonne treated for FY 2018.

As announced in December 2017, the Company is pursuing a revised mine plan with the objective of delivering the best returns in the medium term at low risk whilst at the same time retaining the optionality of taking advantage of the longer life of mine potential of the orebody should realised diamond values increase or should there be a sustained improvement in market conditions. The Company continued making good progress on delivering the December 2017 Revised Mine Plan, achieving an average value of US$75 per carat for the six months ended 30 June 2018, in line with that used by ABSA bank in support of the debt restructuring. Work is currently under way to optimise this plan further based on an updated structural geology and geotechnical model and the Company expects to present additional information in this regard during H1 FY 2019.

Health & Safety
Liqhobong has an industry-leading health, safety and environmental record. It is pleasing to report that there were no significant environmental incidents and that the outstanding safety record was maintained with no lost time injuries since project commencement in July 2014 with over 6.2 million man hours worked to date.

Financial
Cash available at the quarter end was US$18.4 million (Q3: US$18.1 million). However, the net cash balance was effectively US$2.5 million higher at the end of the quarter, once adjusted for timing of sale receipts and supplier payments as presented in the table below:

US$' million	**Q3 (Mar'18)**	**Q4 (Jun'18)**	**Increase**
Cash on hand	18.1	18.4	0.3
Add cash received after the end of the quarter in respect of revenue for the quarter	8.2	10.4	2.2
Less creditors for the quarter paid after quarter end	(1.0)	(1.0)	-
Net cash balance	25.3	27.8	2.5

The increase in the adjusted cash balance of US$2.5 million was a result of the improved operational performance for the quarter, and continued rigorous cash management.

Diamond Sales
A total of 261,985 carats were sold in the quarter (Q3: 217,380 carats). The sales achieved an average value of US$71 per carat (Q3: US$81 per carat), yielding proceeds of US$18.6 million (Q3: US$17.6 million). Average diamond values were lower than the previous quarter due mainly to the recovery of a higher proportion of run of mine category goods and fewer special stones.

The rough diamond market continued to be positive with De Beers reporting good demand across the product range for its fifth sale concluded at the end of June. At the Company's recent sale, demand and pricing remained positive for good quality 1 carat diamonds and up, however, run of mine categories were under some pressure in this competitive market segment. Rough supply in general is being well managed by the industry with none of the major producers over-supplying the market. Traditionally the market enters a quieter period until the end of August due to the European summer holidays. We remain optimistic for the remaining sales this year.

ABSA Update
The Company successfully concluded the restructuring of the US$82.4 million ABSA Debt Facility on 29 June 2018. The restructuring provides for a capital repayment grace period up until 30 June 2019, when capital payments recommence, and an extension of the term of the facility by two and a half years to end December 2023.

Guidance for FY 2019
The Company continues to mine according to the most recent mine plan which was announced in December 2017. During FY 2019, the Company plans to treat between 3.6 and 3.8 mt of ore and expects to recover between 820,000 and 870,000 carats. The Company also plans to develop the mine further through the stripping of between 4.3 and 4.8 mt of waste rock.
Total cash costs for the year, including waste, are expected to range between US$15.00 and US$16.00 per tonne treated based on an average Rand:USDollar exchange rate of R12.50, and the cost to move a tonne of waste is expected to range between US$3.00 and US$3.50. Corporate costs are expected to remain between US$3.5 million and US$4.0 million.

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' Letšeng Mine, Firestone's Liqhobong Mine, Namakwa Diamonds' Kao Mine and Lucapa's Mothae Mine.

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