



Liqhobong Mine Development Project Update

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

Liqhobong Mine Development Project Update

Firestone Diamonds plc, the AIM-quoted diamond development company, provides an update on the Liqhobong Mine Development Project ("Liqhobong" or the "Project").

Overview

- Civil work programme has been extended
 - initial production now anticipated during Q4 2016, previously end H1 2016
 - increased Project costs of ZAR156 million due to increased overburden and adverse weather conditions
- Project remains well within the original US\$185.4 million budget and fully funded through to production ramp up
 - increased ZAR costs to be funded from the Project's surplus cash generated from realised foreign exchange gains, savings achieved on the grid power project and utilisation of the Project's contingency reserves
 - approximately ZAR830 million has been spent on the Project to 31 May 2015
- Grid power project
 - agreement with Storm Mountain Diamonds, the owners of the Kao Mine in Lesotho, to utilise the power line alongside Firestone, and to contribute ZAR90.5 million of the revised total project costs
 - ahead of schedule and due to be complete in Q3 2015, with a net saving of ZAR70.5 million
- Construction update
 - the Project has created over 1,000 jobs and maintained its record of zero lost time injuries
 - new 5.8 kilometre access road has been completed

Stuart Brown, Chief Executive Officer of Firestone, commented:

"Despite adverse weather, increased overburden and the larger rocks encountered at site, the Project continues to make good progress. We are also pleased to announce the grid power agreement with Storm Mountain Diamonds who have agreed to contribute half of the expenditure of the power project."

The costs of additional work crews and the acceleration of certain key areas adopted to meet the revised schedule through to production, now anticipated to be during Q4 2016, are all catered for within the Project's original US\$185.4 million budget. We will continue to work to find other ways to accelerate work streams and improve on the revised completion schedule and will keep shareholders updated as we achieve these milestones."

Liqhobong update

As previously announced, the Company was able to get ahead on a number of work streams across the Project before

the start of the 2014/2015 summer rainy season. However, gains made against the schedule at this early stage were reversed by the impact of an increase in the quantity of overburden to be removed from the primary crusher and plant terraces.

Initial test work, co-ordinated by the EPCM contractor at the DFS stage in 2012, indicated a significantly lower quantity of overburden to be removed, and the presence of smaller and more manageable material. Apart from the increased quantity of overburden requiring removal, substantially larger rocks have also been encountered which have been more difficult and more time consuming to handle.

Despite the increased earth works, the Company was confident that the lost time would be caught up through remedial action it had sought to put in place. The Company has been working on rescheduling of additional earth works and a number of initiatives have been implemented to seek to minimise any resulting delay to the overall programme, including the introduction of an additional shift, additional work crews and redeployment of contractors to areas that are on the critical path from areas which are ahead of schedule.

Although progress was made and further progress is expected to result from these initiatives, above average rainfall during the rainy season was experienced at crucial times hampering progress on the increased earth works. The EPCM contractor has now indicated that they anticipate a delay in the completion of the civil works for the Project. Accordingly, the Company now expects initial production to occur during Q4 2016 as opposed to the end of H1 2016 as previously indicated.

The additional work required to achieve the revised project schedule is forecast to cost ZAR156 million which will be funded from the Project's surplus cash generated from realised foreign exchange gains, from the saving achieved on the grid power project as described below, and from contingency reserves included in the original project budget of US\$185.4 million. Despite the increase in the ZAR cost of the Project to, in aggregate, ZAR2 billion, the US\$ cost of the Project remains well within the Project's original US\$185.4 million budget. Accordingly, the Project continues to be fully funded with the Company having cash, as at 31 May 2015, of US\$20 million as well as having in place the US\$30 million Eurobond Facility, with first drawn down of the facility expected to be during July, and the US\$82.4 million Absa Facility, which the Company anticipates beginning to draw down in August. The Company does not currently anticipate that the US\$15 million standby facility will be required and that the Company will have sufficient working capital until early Q1 2017, by which time the Company expects to have generated revenues from the first sale of diamonds from the Project's initial production in Q4 2016.

As a result of the extension of the construction programme, the Company has sought to delay the delivery to site of the constructed steel and to delay other work streams to allow the earth works to catch up, whilst at the same time minimising the cash draw down requirements and associated financing charges. As a result, the Company has spent a total of approximately ZAR830 million on the Project as at the end of May 2015 against an original budget of ZAR1.1 billion.

Despite the delay to the overall schedule, good progress is being made on a number of the construction work streams. The Detail Design and Engineering is progressing ahead of schedule, with all major equipment and long lead items either manufactured or nearing completion, with deliveries to site anticipated to start during Q3 2015.

The Residual Storage Facility and associated contract works is also progressing well ahead of schedule and the civil work is progressing according to the revised schedule, with first concrete poured at the Primary Crusher area at the end of May 2015. This will provide access for first steel erection in this area in August 2015 which is aligned to the revised schedule.

The total steelwork required on site is approximately 3,500 tons. Currently 600 tons is complete and in storage awaiting delivery to site, 330 tons is undergoing corrosion protection and 600 tons is being fabricated. It is anticipated that the first steel components will be delivered to Lihobong in early July 2015 which is also aligned to the revised schedule.

The construction of the accommodation facilities was also negatively impacted during the 2014/2015 summer rainy season, resulting in the availability of fewer accommodation units thereby restricting the number of additional staff required on site to implement the various acceleration initiatives. Pleasingly, three of the accommodation units are now complete, providing more accommodation for the additional teams that have recently been established on site.

The Project continues with a very positive safety record, having achieved over 750,000 Lost Time Injury Free man-hours as at the end of May 2015. Despite the delay to the project there are areas where the project is well ahead compared to the original schedule and we believe we will be able to recover some of the lost time in the remaining months of the project.

The newly appointed Government of Lesotho, elected at the end of February 2015, is now in position. The Company remains fully committed to working with its 25% partner, the Government of Lesotho, on Liqhobong and looks forward to a continued strong positive relationship.

Grid power project

The grid power project is progressing ahead of schedule and on budget, with connection to the national grid expected in Q3 2015. This is an important milestone for the Company as it will allow Liqhobong to use grid power on site during construction earlier than planned, thus reducing the diesel generating costs and realising a small saving. Apart from the early availability of grid power, the Company has been able to significantly reduce its cost of delivering the grid power project by involving Storm Mountain Diamonds, the owners of the Kao Mine in Lesotho, which neighbours Liqhobong. The capacity of the line is sufficient to cater for the expected maximum demand requirements of both mines. The cost of the project has increased from the original budget of ZAR165 million to a total of ZAR189 million to extend the line over the mountain to Kao Mine, and Storm Mountain Diamonds has agreed to contribute half of the costs of the revised total project. As a result, the Company will achieve a saving of ZAR70.5 million. It is anticipated that Kao Mine will be connected to the grid during Q4 2015.

The Company has a media gallery devoted to recent images showing the Project's progress on its website: www.firestonediamonds.com.

For more information contact:

Firestone Diamonds plc +44 (0)20 8741 7810
Stuart Brown

Strand Hanson Limited (Nomad) +44 (0)20 7409 3494
Stuart Faulkner
Richard Tulloch
James Dance

GMP Securities Europe LLP (Joint Broker) +44 (0)20 7647 2800
Richard Greenfield
Alexandra Carse

Mirabaud Securities LLP (Joint Broker)
Rory Scott +44 (0)20 7878 3360
Ed Haig-Thomas +44 (0)20 7878 3447

Tavistock (Public and Investor Relations) +44 (0)20 7920 3150
Jos Simson +44 (0)7788 554 035
Emily Fenton

Background information on Firestone

Firestone is an international diamond development company with operations focused on Lesotho. Firestone is currently in the process of developing the Liqhobong Mine Development Project 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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