Quarterly Update on Operations

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Firestone Diamonds PLC
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FIRESTONE DIAMONDS Plc
("Firestone", the "Group" or the "Company")

Quarterly Update on Operations

Firestone Diamonds plc (AIM: FDI), provides its quarterly update on operations at its Liqhobong Diamond Mine ("Liqhobong") for the quarter ended 30 September 2019 (Q1 of the Company's 2020 financial year).

First quarter ended 30 September 2019

Highlights:

- Lost time injury free quarter (Q4-FY19: one lost time injury);
- Recovery of a 98 carat light yellow makeable stone which was sold in October;
- Diamond recoveries of 201 091 carats (Q4-FY19: 208 572 carats);
- Grade of 21 carats per hundred tonnes ("cpht") (Q4-FY19: 23 cpht);
- Ore tonnes treated of 963 986 tonnes (Q4-FY19: 904 902 tonnes);
- Waste tonnes moved for the quarter of 1 379 758 tonnes (Q4-FY19: 1 337 281 tonnes);
- Operating cost of US$10.32 per tonne treated below guidance (Q4-FY19: US$12.57 per tonne treated);
- A single sale took place during the quarter when 168 612 carats were sold (Q4-FY19: 177 521 carats), realising revenue of US$10.6 million (Q4-FY19: US$12.7 million) at an average value of US$63 per carat (Q4-FY19: US$71 per carat); and
- Cash balance at 30 September 2019 of US$21.8 million (Q4-FY19: US$26.3 million) after interest and capital repayment to ABSA of US$2.9 million for the quarter.

Post quarter power interruption
As announced previously, power supply to the mine was interrupted on 1 October, since which time, the mine's treatment plant has temporarily suspended operation until power is restored. The Company anticipates that production at the mine will recommence in early November, once the rented diesel generators are on site and connected to the mine's electrical infrastructure.

Paul Bosma, Chief Executive Officer, commented:
"The first quarter performance was again solid from an operational perspective. However, from a market perspective, pricing remains subdued. The Company continues to engage with its debtholders to ensure it can sustain operations through the current downturn and further announcements in this regard can be expected in due course.

The recent power interruption is an unexpected setback for the company but we are doing our utmost to limit the negative impact on production by renting generators to get operations up and running again until the grid power is back online and stable. We will advise on any adjustments to guidance in future quarterly updates."

Operations
During the quarter ended 30 September 2019, Liqhobong treated 963 986 tonnes of ore which was the highest quantity of tonnes treated during a quarter since a year ago in Q1-FY19, and 7% more tonnes than the previous quarter's 904 902 tonnes. The higher quantity of tonnes treated was due to better equipment availability and higher plant throughput rate.

Mining continued in predominantly the higher-grade southern part of the pit during the quarter with the additional objective of excavating a large sump in that part of the pit which receives a high quantity of catchment water from rainfall. The wet season typically commences towards the end of the 2019 calendar year. Although a higher quantity of tonnes was treated during the quarter, total carats recovered was 4% less at 201 091 carats (Q4-FY19: 208 572 carats), as a result of a lower recovered grade of 20.9 cpht (Q4-FY19: 23.0 cpht). The recovered grade continued to be lower than the expected reserve grade, which, as reported previously, seems to result from treating harder, more competent ore as the pit becomes deeper. Work which initially focussed on post-blast fragmentation and further optimisation of the tertiary crushing section to improve liberation and throughput, has been extended to other areas which could possibly be impacting on recovered grades.

The positive trend on waste tonnes moved continued into the first quarter when 3% more waste,
1 379 758 tonnes was moved (Q4-FY19: 1 337 281 tonnes). However, fewer tonnes were moved than was expected due to lower availability of mining fleet. Plans are in place to recover the tonnage shortfall over the next three quarters in order to meet guidance by the year-end.

Safety, Health & Environment
The first quarter was worked safely with no Lost Time Injury's recorded.

Financial
A combination of continued cost savings and local currency weakness against the US dollar, resulted in operating costs for the quarter of US$10.32 per tonne treated (Q4-FY19: US$12.57 per tonne treated) including waste stripping, which was well below guidance of between US$13.50 and US$14.50 per tonne treated. Operating costs are expected to be US$0.6 million higher for each month that generator power is used. The Muela Hydropower station is scheduled to recommence operation from 1 December, on which basis, generator power will only be used for approximately one month, with an estimated total cost impact for the year of 19 US cents per tonne treated. The cash balance at the end of the quarter was US$21.8 million (Q4-FY19: 26.3 million).

Diamond Sales and Market Outlook
A total of 168 612 carats was sold in the quarter (Q4-FY19: 177 521 carats), realising revenue of US$10.6 million (Q4-FY19: US$12.7 million) at an average value of US$63 per carat (Q4-FY19: US$71 per carat). Average diamond values were lower than the previous quarter despite the sale of several notable stones which included a 37 carat fancy pink stone and a 55 carat fancy yellow stone, due mainly to the sale of fewer high value stones and a slightly higher proportion of smaller goods.

The prices realised for the smaller goods that make up the bulk of our production by volume, remain subdued, impacted by a build-up of rough and polished inventory in the midstream. Prices are expected to increase towards the end of 2020 as rough supply decreases as a result of continued reduced sales volumes by De Beers and Alrosa and the anticipated closure of the Argyle mine in Australia.

Impact of Power interruption
The power interruption that affected operations since 1 October is expected to result in the loss of just over one month's production, as plans are currently underway to resume operations during early November. In addition to the loss of revenue, the Company has continued to incur fixed operating costs of approximately US$1.8 million during October. The Company is working with its insurance broker to assess the extent to which the interruption is covered by its business interruption policy. The December tender has been cancelled due to fewer carats being recovered as a result of the power outage, and consequently the Company's next tender will take place in January 2020. The loss of revenue and higher operating costs will impact the Company's cash balance, and together with the impact of a weaker diamond pricing environment, has placed further focus on finding an interim solution regarding its indebtedness with ABSA bank and the bondholders, who both remain actively engaged.

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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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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