



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 Lihobong Diamond Mine ("Lihobong") for the quarter ended 31 March 2019 (Q3 of the Company's 2019 financial year).

Third Quarter ended 31 March 2019

HIGHLIGHTS:

- Lihobong's most valuable stone recovered to date, a 70 carat white diamond was sold in March;
- A number of other high value stones were also sold during the quarter including a 46 carat white diamond;
- Average value of US\$80 per carat (Q2: US\$72 per carat), with signs of recovery in prices realised for the smaller, lower value goods; and
- 1,242,481 tonnes of waste mined (Q2: 902,151 tonnes) as planned and on track to meet guidance of between 4.3 million tonnes and 4.8 million tonnes for FY2019.

SUMMARY:

- Lost time injury free quarter (Q2: also lost time injury free);
- 862,838 tonnes of ore treated in the quarter (Q2: 884,252 tonnes), marginally lower due to unforeseen plant equipment failures during early January as previously reported;
- Lower average grade of 18.0 carats per hundred tonnes ("cpht") (Q2: 25.4 cpht), mainly due to ore from the lower grade northern part of the pit being mined and treated resulting in the recovery of 155,206 carats (Q2: 224,947 carats);
- Operating cost during the quarter of US\$11.55 per tonne treated (Q2: US\$12.00 per tonne treated), substantially lower than FY2019 guidance of US\$15-16 per tonne treated;
- A total of 211,368 carats sold in the third quarter of the financial year (Q2: 191,735 carats), realising revenue of US\$16.8 million (Q2: US\$13.9 million);
- Still on track to meet FY2019 guidance; and
- The mine continued to generate positive cash flows after finance costs; with net cash as at 31 March 2019 of US\$29.9 million (Q2: US\$26.2 million).

POST QUARTER HIGHLIGHTS:

- Notable recovery of a 72 carat yellow, makeable diamond, a 22 carat makeable white diamond and an 11 carat fancy light-pink diamond, all of which will go on sale at the upcoming tender in early May.

Paul Bosma, Chief Executive Officer, commented:

"We spent most of the third quarter mining in the lower grade northern part of the pit and it was pleasing to see an increase in average diamond value which resulted in improved revenue for the quarter. Besides continued strong demand for our special stones it was also encouraging to see a modest increase in pricing for the smaller, lower value goods at the March sale.

During the final quarter of the year, mining will return to the higher grade, southern part of the pit. Waste stripping is accelerating according to plan and we achieved our highest ever monthly tonnes moved in March.

The rainfall increased in March and we received very good rains during April which have replenished our reservoirs, the extent to which should be sufficient to see us through the coming dry season."

Operations

During the quarter ended 31 March 2019, Lihobong treated 862,838 tonnes of ore (Q2: 884,252 tonnes). The fewer tonnes treated resulted from a mechanical breakdown which occurred at the beginning of January which is a particularly difficult time of the year to mobilise repair teams. Nevertheless, our suppliers worked together with our on-site team to carry out the required repair work which was successfully completed in the shortest possible time. Most of the mining during the quarter took place in the lower grade northern part of the pit resulting in the recovery of 155,206 carats compared to the previous quarter of 224,947 carats, at a grade of 18.0 cpht (Q2: 25.4 cpht). During the quarter, 64 stones (plus 10.8 carats) were recovered (Q2: 89 stones).

It is pleasing to report that, after the challenges experienced in the previous quarter regarding the establishment of new access roads and platforms in cut 2 South, 38% more waste of 1,242,481 tonnes was moved compared to the previous quarter of 902,151 tonnes. The mining contractor achieved the tonnage target for March and with the recent arrival of additional items of machinery, is adequately equipped to maintain the higher tonnage volumes required going forward.

Health & safety

The third quarter was once again 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\$11.55 per tonne treated (Q2: US\$12.00 per tonne treated) including waste stripping, which remains well below the guidance range of between US\$15 and US\$16 per tonne treated for the year to end June 2019. Costs were US\$2.7 million lower than planned for the quarter and are US\$7.4 million lower on a year to date basis, mainly as a result of the weaker local currency. The positive impact of the weaker local currency is expected to continue for the remainder of the financial year as currency hedges are in place to cover 100% of the expected operating costs at average rates exceeding R14.50:US\$1. The lower cost for the year includes US\$0.5 million in respect of the fewer waste tonnes moved which is expected to be incurred in the final quarter of FY2019.

Cash available at the end of the quarter was US\$29.9 million (Q2: US\$26.2 million).

Diamond Sales and Market Outlook

A total of 211,368 carats were sold (Q2: 191,735 carats), realising revenue of US\$16.8 million (Q2: US\$13.9 million) at an average value of US\$80 per carat (Q2: US\$72 per carat).

The improved average sales value realised for the quarter was largely due to the sale of several large, high quality diamonds that were recovered since December. It was also encouraging to see a modest increase in the average value realised for the smaller, lower value goods. Alrosa's March sale also saw an increase compared to the previous sale (+9%) and commented that the market is gradually stabilizing and the demand for smaller-sized stones demonstrated recovery in the first quarter. Subsequently, in April, De Beers announced its best sale for 2019, commenting that demand was stable. We share the same cautious optimism expressed by many other diamond producers regarding diamond prices in the second quarter of 2019.

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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 Lihobong Diamond Mine. Lihobong 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 Lihobong Mine, Namakwa Diamonds' Kao Mine and Lucapa's Mothae Mine.

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