# Proposed cancellation of AIM listing

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

**Shareholder Circular and Notice of General Meeting - proposed cancellation of AIM listing**

Firestone Diamonds plc (AIM: FDI), the AIM-quoted diamond mining company, announces that a circular (the "Circular") has been posted to Shareholders today convening a General Meeting to be held at 10.30 a.m. on 13 March 2020 to approve the cancellation of the admission of the Ordinary Shares to trading on AIM (the "Cancellation"). The AIM Rules require that, unless the London Stock Exchange otherwise agrees, the Cancellation must be conditional upon the consent of not less than 75 per cent of votes cast by the Shareholders, given in a general meeting of the Company.

After commencing mining production at the end of 2016, it became clear during 2017 that the anticipated average value of US$107 per carat was not being achieved and as a result, Liqhobong Mining Development Company (Pty) Limited, the 75% owned subsidiary of the Company ("LMDC"), would be unable to service its scheduled debt repayments to ABSA Bank Limited ("ABSA Bank") in respect of its US$82.4 million project debt finance facility. This culminated in the US$25.0 million fund raising and debt restructuring announced during December 2017 that entailed an eighteen-month standstill on the ABSA Bank debt during which only interest was serviced. The standstill period came to an end mid-2019 and debt repayment resumed from June 2019 according to the revised schedule.

Due to the deteriorating diamond market and price pressure on the smaller stones that form the bulk of the diamonds recovered from Liqhobong, the Company identified towards the end of 2019 that once again LMDC would be unable to service its ABSA Bank debt repayments as they became due and therefore embarked on a further round of discussions and negotiations with its principal lenders. This culminated in non-binding term sheets being signed at the end of 2019 with ABSA Bank and separately with RCF and Pacific Road as Bondholders agreeing in principle to another debt repayment standstill and to the provision of a temporary working capital facility.

Additionally, the Company continues to work with ABSA Bank and the Bondholders on a longer-term restructure of its outstanding ABSA debt of US$63.9 million and its Series A and B Eurobond debt of US$38.4 million.

The Board still believes that the diamond market has the potential to improve but that it will take longer than had been previously anticipated and therefore everything possible needs to be done to ensure that the Company can survive the current downturn using its existing cash resources. In order to do so all costs and expenses have been reviewed critically including the costs associated with being listed. The Directors have conducted a review of the benefits and challenges of maintaining the Company's listing on AIM and after careful consideration, have concluded that it is no longer in the best interests of the Company and its Shareholders.

The main reasons for arriving at this conclusion are:

- Cost savings

  The costs associated with maintaining the AIM listing (e.g. broking, Nomad, legal, financial, regulatory) provide minimal benefit and the funds can be better utilised to extend the Company's operating window. The need to preserve cash by all means possible to ensure the Company survives the current market downturn is the overriding principle for the Board and will include a review of operations, corporate structure and overheads including the composition of the Board.

- Share price and liquidity

> The Company suffers from a lack of liquidity in trading of its Ordinary Shares due to the Bondholders holding 65 per cent of the Company's issued ordinary share capital, and in addition, two minority Shareholders hold approximately a further 18 per cent. This, combined with the poor diamond market and general negative sentiment towards the sector, has resulted in a material share price and consequent market capitalisation decline. The poor market conditions are expected to persist for the foreseeable future and therefore the Board sees limited value in maintaining the AIM listing as it is unlikely to provide a positive platform for any further corporate opportunities.

Following the Cancellation, it is the Company's intention to rationalise the Board so that its composition is more appropriate for its current activities whilst, at all times, taking into account the interests of all Shareholders and sound corporate governance. It is the Company's current intention that the Board will consist of no less than four Directors, including an independent Chair.

The Company has also, conditional on the Cancellation becoming effective, entered into a relationship agreement with the Bondholders pursuant to which the Bondholders, for so long as each Bondholder respectively continues to hold 20 per cent or more of the voting capital of the Company, have given certain undertakings to the Company to the effect that the Company can, amongst other things, continue to operate on an independent basis. Further details of the relationship agreement are set out in the Circular.

It is important to note that Shareholders continue to be able to hold their shares in uncertificated form (i.e. in CREST) and that the Company has arranged a Matched Bargain Facility to assist Shareholders to trade in the Ordinary Shares and this will be put in place from the day of Cancellation. Further detail is provided in the Circular. The Company also undertakes to continue to communicate information about the Company to its Shareholders as explained in the Circular.

In conclusion, the Board believes that it is in the best interests of Shareholders, employees and lenders to reduce costs and preserve cash by all means possible to ensure that the Company survives the market downturn. Accordingly the Directors consider that Cancellation and approval of the Cancellation Resolution is in the best interests of the Company and its members as a whole.

**General Meeting**

A general meeting of the Company, notice of which is set out in the Circular, will be held at 10.30 a.m. on 13 March 2020 at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU to seek Shareholders' support for the Resolutions.

The Company has received irrevocable undertakings from RCF, Pacific Road and Edwards Family Holdings Ltd to vote in favour of the Resolutions at the General Meeting in respect of, in aggregate, 513,346,739 Ordinary Shares representing 74.19 per cent of the existing issued ordinary share capital of the Company.

**Timetable**

| | *2020* |
|---|---|
| Announcement of proposed Cancellation | 25 February |
| Notice provided to the London Stock Exchange to notify it of the proposed Cancellation | 25 February |
| Publication and posting of this document | 25 February |
| Latest time and date for receipt of Forms of Proxy in respect of the General Meeting | 11 March |
| General Meeting | 13 March |
| Announcement of results of General Meeting | 13 March |
| Expected last day of dealings in Ordinary Shares on AIM | 25 March |
| Expected date of Cancellation | 26 March |

**Document availability**

An electronic copy of the shareholder circular can be accessed at the Company's website: [www.firestonediamonds.com](www.firestonediamonds.com)

Terms not otherwise defined in this announcement shall have the meaning given to them in the Circular.

*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.*

**For more information please visit: www.firestonediamonds.com or contact:**

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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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