8 March 2022

Firestone Diamonds plc

(“Firestone”, “Company” or the “Group”)

UPDATE ON THE PERIOD COMMENCING FROM 1 APRIL 2021 AND ENDING ON 31 DECEMBER 2021 (Q4 FY2021 and Q1/Q2 of FY2022) INCLUDING THE DEBT RESTRUCTURING

Firestone Diamonds plc, which owns 75% of the Liqhobong Diamond Mine ("Liqhobong" or “the Mine”) provides an update on the restructuring activities related to the US$82.4 million senior Absa project debt facility, credit insured by the Export Credit Insurance Corporation of South Africa (“ECIC”), and its operational update for the nine month period commencing from 1 April 2021 and ending on 31 December 2021 (Q4 of the 2021 financial year and Q1 and Q2 of the 2022 financial year) (the “period”).

Liqhobong remained on care and maintenance during the period. On-site activities during Q4-FY21 focused on continued servicing and maintenance of the production plant and related infrastructure. During Q1-FY22, due to the progress made on a potential debt restructuring at that time, certain site activities were undertaken in preparation of a mine restart. However, during Q2-FY22, restart activities were halted once again due to the transaction that had been agreed following lengthy negotiations, being rejected by the ECIC board. The ECIC board rejected the transaction as it was considered to be a sub-optimal outcome for ECIC, which would suffer a significant write-off. Absa and the ECIC appointed an Independent Advisor during December 2021 to review and assist with restructuring alternatives, and have advanced a Bridge Facility of ZAR31.56 million (~US$2 million) to fund ongoing care and maintenance and essential Firestone costs during the review period.

Summary:

Debt restructuring:

- Term-sheet signed on 16 September 2020 in respect of the purchase of the Absa debt by Resource Capital Funds VI L.P. (“RCF”), and injection of new capital to fund the mine restart;
- Early restart works commenced during September on the basis of the signed term-sheet;
- ECIC board rejected the deal in early October 2021;
- Appointment of Independent Advisor by Absa and ECIC in December 2021; and
- Approval for short term Bridge Facility from Absa (as credit insured by ECIC) of ZAR31.56 million (~US$2 million) while the Independent Advisor reviews options.

Operational update for the Period:

- COVID-19 protocols remained in place at Liqhobong including the use of rapid test kits, to ensure early detection of the disease;
- Care and maintenance cost for Q4-FY21, Q1 and Q2-FY22 of US$0.8 million, US$1.1 million and US$1.0 million respectively, were in line with expectation (Q3-FY21: US$0.9 million);
- Ramp-up cost for Q1-FY22 of US$0.3 million and Q2-FY22 of US$0.4 million; and
- Closing cash balance of US$2.4 million (Q3-FY21: US$8.1 million).

Patrick Meier, Non-Executive Chairman, commented:

"The Board and management have worked so hard over the past year and were pleased that after many months of negotiations between the parties, a non-binding term-sheet in respect of a purchase by RCF of the Absa debt (credit insured by the ECIC), was signed in September 2021, and that new capital would be injected to allow for early restart works at the Liqhobong mine to commence.

It was therefore very disappointing when the transaction was not regarded as acceptable to the board of ECIC. Since then, the board and management worked tirelessly to try to renegotiate a way forward. In December 2021, Absa and the ECIC appointed an Independent Advisor to carry out a due diligence exercise on their behalf in order to provide an external opinion on the possible options for Absa and the ECIC, and we look forward to the outcome of this process during Q3-FY2022.

We are grateful to the Lesotho Mining Minister, the Company's bondholders, and to our employees, who have been and who continue to remain supportive and committed during this challenging period. We are also grateful to Absa and the ECIC for providing the ZAR31.56 million (~US$2 million) Bridge Facility, to fund ongoing care and maintenance costs at Liqhobong and essential Group costs."

Debt restructuring and Mine restart activities

As a result of the progress made in negotiations between the Company's bondholders, (Pacific Road Resources Fund II L.P., Pacific Road Resources Fund II, and Resource Capital Fund VI L.P.), Absa, including its insurer the Export Credit Insurance Corporation of South Africa (ECIC), on restructuring the US$82.4 million senior Absa project debt facility, and indicative support received from our bondholders, a decision was taken to commence the necessary preparatory work required ahead of a restart of the Liqhobong Mine. The preparatory work commenced in July 2021 and four key work streams were initiated, namely:

- Carrying out a detailed operational readiness risk assessment of the entire operation to identify and address any risks that may have arisen during the care and maintenance period, in order to ensure that employees, once re-engaged, will return to a safe work environment;
- Commencing a tender process to appoint and mobilise a new mining contractor, the longest restart lead item;
- Dewatering the main pit to enable access to the pit for pre-mining development; and
- Pit preparation work which includes mine roads and in-pit ramp rehabilitation, as well as mechanical breaking of previously blasted oversize ore boulders and loading and hauling of ore to the primary crusher stockpile and waste to the RSF wall.

The negotiations with our lenders led to the non-binding terms of a debt purchase being agreed between RCF, Absa and the ECIC, and a non-binding term-sheet was signed on 16 September 2021. The ECIC board however rejected the proposed transaction during October as it was considered to be a sub-optimal outcome for ECIC, which would suffer a significant write-off.

The parties continued to engage, with the board and management working hard to persuade the ECIC to reconsider its position, and to try to reach renegotiated terms in order for the mine to restart operations as a priority. All the while, the board was acutely aware of the Group's finite cash reserves. At the end of

November 2021 the Group had an unrestricted cash balance of US$1.2 million and restricted cash of US$1.6 million which included a US$0.6 million balance in the Debt Service Reserve Account ("DSRA").

Absa and the ECIC appointed an Independent Advisor during December 2021 to perform a due diligence exercise on the Liqhobong mine and to report back during Q3-FY22 with proposed restructuring options. Absa and ECIC recognised the Group's low cash levels and signed a binding term-sheet on 15 December 2021, to provide a Bridge Facility of US$2 million (the "facility"), to fund ongoing care and maintenance costs at Liqhobong and essential Group costs.

Subsequent event

Subsequent to the period end, on 26 January 2022 the Bridge Facility Agreement was signed and the first drawdown of R8.1 million (~US$523k) was received by Liqhobong on 1 February 2022. Pertinent details of the facility include:

- Borrower Liqhobong Mining Development Company (Pty) Ltd
- Facility amount: ZAR31.56 million (~US$2 million)
- Effective date: 31 January 2022
- Repayment date: 31 July 2022
- Interest rate: JIBAR
- Margin: 3%
- Default margin: Additional 2%

The facility is forecast to be sufficient to fund ongoing care and maintenance and essential Group costs until the end of Q3-FY2022.

The parties remain focused on concluding a transaction in order for the Liqhobong mine to recommence operations in the shortest possible time. The outcome of this process will likely result in a major restructuring of the Company's balance sheet to reflect a sustainable debt carrying capacity over the longer term, using more conservative forecast average diamond value assumptions. Further updates regarding the restructuring will be provided in due course.

Safety, Health, Environment & Community

On 22 April 2021, LMDC recorded a Lost Time Injury when a contractor injured his left leg and knee when a fire extinguisher, which he was trying to recharge, exploded. He was stabilised at the Mine clinic and transported to a medical facility in South Africa for further treatment before being discharged. He underwent knee surgery during September 2021 in order to gain full mobility. LMDC has maintained an exemplary safety record and continues to strive towards its zero harm goal.

Liqhobong continued to adhere to COVID-19 protocols and detected its first three positive COVID-19 cases during December 2021. The three employee were quarantined on site and resumed their duties once testing negative. The Mine clinic continues to use rapid test kits to assess all individuals who show flu-like symptoms. A large proportion of the Mine's employees have been vaccinated as part of the Lesotho Government's COVID-19 program.

Financial

Cash flow for the period:

	FY2022	FY2022	FY2022	FY2021
US$'million	**YTD**	**Q2**	**Q1**	Q4
Opening cash	6.2	4.4	6.2	8.1
Revenue	**-**	**-**	**-**	**-**
Royalties	-	-	-	-
Care and maintenance cost	2.1	1.0	1.1	0.8
Ramp-up cost	0.7	0.4	0.3	-
Corporate	0.9	0.6	0.3	0.6
ABSA cash interest	-	-	-	0.6
Net working capital (outflow)/inflow	(0.1)	-	(0.1)	0.1
Closing cash	**2.4**	**2.4**	**4.4**	**6.2**
Unrestricted cash (free cash)	1.4	1.4	2.9	4.7
Restricted cash:				
- Environmental rehabilitation	1.0	1.0	0.9	0.9
- ABSA debt service reserve account	-	-	0.6	0.6

Operating cost

Care and maintenance cost for the three quarters ended 31 December 2021 were within expectation at US$0.8 million, US$1.1 million and US$ 1.0 million respectively. Forecast care and maintenance costs (excluding debt service costs) are expected to increase marginally to between US$0.4 and US$0.5 million per month (Q3-FY21: between US$0.3 and US$0.4 million per month) as a result of the increased cost associated with reticulating water on site during the rainy season, and the impact of inflation.

Ramp-up costs for the period of US$0.7 million were in respect to site preparation work and the raising of the satellite pit dam wall in order to increase water storage capacity on site.

Corporate cost for the period of US$1.5 million was in line with expectation. Corporate overhead (excluding restructuring costs) is expected to remain between US$0.2 million and US$0.3 million per month during the next quarter as work on the debt restructuring continues.

BK11

The share sale agreement with Visionary Victor Resources Proprietary Limited (“Visionary Resources”) for the sale of the Company’s Botswana operations and its interest in the BK11 mine completed on 17 September 2021. Visionary Resources is a company that is locally owned and registered in Botswana.

Market Outlook

Recently a number of diamond producers have recorded significantly higher prices being received at sales. Robust demand has continued as the global economy opens up, with strong sales in the key markets of the US and China. As a result, the two major rough diamond producers, De Beers and Alrosa were able to increase their prices a number of times during the period to pre-pandemic levels and beyond as strong mid and downstream restocking has boosted demand for rough diamonds. It is unclear at this stage what impact the war in Ukraine will have on diamond supply and prices, which may be impacted by sanctions on Alrosa. However, prices are expected to remain robust over the longer term.

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

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Background information on Firestone

Firestone is a UK registered diamond mining company with an operation in Lesotho. Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho. Lesotho is one of Africa's significant diamond producers, hosting Gem Diamonds' Letšeng Mine, Firestone's Liqhobong Mine, Namakwa Diamonds' Kao Mine and Lucapa's Mothae Mine.