



20 April 2021

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

QUARTERLY UPDATE – Q3 FY2021

Firestone Diamonds plc, which owns 75% of the Liqhobong Diamond Mine ("Liqhobong" or "the mine") provides its update for the quarter ended 31 March 2021 (Q3 of the Company's 2021 financial year).

Liqhobong remained on care and maintenance during the quarter. On-site activities during the remainder of the rainy season focused on managing the water storage reservoirs to ensure that safe and adequate levels were maintained, and on the continued servicing and maintenance of the production plant and related infrastructure. The water level in the main pit continued to be managed to ensure that mining can resume within a reasonable time frame once a decision is made to restart the mine.

Summary:

- COVID-19 protocols remained in place at Liqhobong including the use of rapid test kits, to ensure early detection of the disease;
- 19 942 carats below 10 grainer size sold during March 2021 realising revenue of US\$0.9 million at an average value of US\$47 per carat;
- Care and maintenance cost during the quarter of US\$0.8 million was US\$0.4 million lower (Q2-FY21: US\$1.2 million);
- Closing cash balance of US\$8.1 million (Q2-FY21: US\$8.8 million); and
- Progress made on formal debt restructuring discussions with bondholders and Absa Bank.

Paul Bosma, Chief Executive Officer, commented:

"During the quarter we sold the second and final portion of our diamond inventory which comprised finer goods below 10 grainer in size. We received pleasing results for the smaller run of mine (ROM) category goods with average prices having increased above pre-Covid levels and realizing the highest average value for this category of goods since June 2018, which is very encouraging. Good progress was also made on the debt restructuring discussions with our bondholders, and Absa Bank and its insurer, the ECIC. We still anticipate concluding this process, in principle, during the first half of 2021."

Safety, Health, Environment & Community

No lost time injuries or serious environmental incidents occurred during the quarter.

Liqhobong continued to adhere to COVID-19 protocols. First level screening continued to be carried out on the mine using rapid COVID-19 test kits and to date, no active COVID-19 cases have been detected. During January, Lesotho moved to its highest COVID alert level for 21 days due to an increase in the infection rate in country, resulting in among others, border closures with South Africa. Restrictions were relaxed during February and the borders were reopened.

During the quarter, the mine held First Aid training sessions for health workers from surrounding villages. A number of sessions took place and in total 42 health workers were trained during the quarter. The village health workers are crucial in supporting their communities and the Motete clinic in case of emergencies.

Care and Maintenance activities

Care and maintenance activities during the quarter continued to focus on asset maintenance and water management. Above average rainfall was recorded across Lesotho during January causing infrastructure damage in the surrounding areas due to landslides. Resultant damage to Lesotho grid infrastructure resulted in the mine being without grid power for a period of 3 weeks. The on-site team performed very well in the circumstances to manage the water levels of the dams and at the end of the quarter, all dam water levels including the main pit were at or below the desired target levels.

Financial

Cash flow for the quarter:

US\$ million	FY2021			
	YTD	Q3	Q2	Q1
Opening Cash	9.6	8.8	7.3	9.6
Revenue	4.5	0.9	3.6	-
Royalties	0.2	0.1	0.1	-
Care and maintenance cost	3.2	0.8	1.2	1.2
Corporate	1.1	0.3	0.3	0.5
ABSA Cash interest	1.8	0.6	0.6	0.6
Net working capital inflows	0.3	0.2	0.1	-
Closing cash	8.1	8.1	8.8	7.3
Unrestricted cash (free cash)		5.9	6.0	2.8
Restricted cash:				
- Environment rehabilitation		0.9	0.9	0.9
- ABSA debt service reserve account		1.3	1.9	3.6

Operating cost

Total operating cost for the quarter of US\$1.1 million was US\$0.4 million lower than Q2 (US\$1.5 million). Care and maintenance costs were US\$0.4 million lower for the quarter due to savings and lower staff costs as final retrenchment payments were recorded in the previous quarter. Forecast care and maintenance costs (excluding debt service costs) are expected to remain between US\$0.3 million and US\$0.4 million per month and corporate overhead (excluding any potential restructuring cost) is expected to continue to average US\$0.1 million per month.

Debt and financing

Formal discussions progressed with the Company's bondholders, (Pacific Road Resources Fund II L.P., Pacific Road Resources Fund II, and Resource Capital Fund VI L.P.) and Absa Bank, including its insurer, the Export Credit Insurance Corporation of South Africa (ECIC), on restructuring the Group's debt. Substantial progress has been made and all parties remain supportive of reaching a mutually acceptable solution to enable the mine to recommence operations. These discussions remain ongoing.

Diamond Sales and Inventory

During mid-2020, the Company divided its remaining diamond inventory into two portions which it planned to sell in order to test the market to determine the extent to which diamond values for Liqhobong goods had recovered. The first portion, which comprised 23 007 carats (including all special stones) and 20 262 carats of smaller ROM category stones which were carried over from the March 2020 sale, sold in November 2020 for US\$3.6 million at an average value of US\$84 per carat. The second portion of 19 942 carats, which comprised mainly smaller ROM goods, was sold during March 2021 for US\$0.9 million at an average value of US\$47 per carat. The March 2021 sale result was very encouraging as the average price achieved for the ROM category which represents over 80% of Liqhobong production by volume, was the highest it has been since June 2018. Combined, the two sales (including the March 2020 carry over) realised US\$4.5 million at an average value of US\$72 per carat.

Market Outlook

It was a good quarter for diamond producers. The two majors, De Beers and Alrosa reported much improved sales results and were able to increase prices as manufacturers restocked after the peak diamond jewelry selling period in December followed by sales associated with the Chinese New Year and Valentines Day celebrations during February. The industry is now entering the traditional quieter period of the year.

The positive market trend observed during the quarter is encouraging and the Company is now singularly focused on concluding negotiations in order that a sustainable balance sheet solution can be agreed with its debtholders in order for operations at the mine to recommence as soon as practicably possible.

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. 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.