



2 February 2021

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

**QUARTERLY UPDATE – Q2 FY2021**

Firestone Diamonds plc, provides its quarterly update on operations at its 75% owned Liqhobong Diamond Mine ("Liqhobong" or "the mine") for the quarter ended 31 December 2020 (Q2 of the Company's 2021 financial year).

Liqhobong remained on care and maintenance during the quarter. On-site activities during the current rainy season focused on managing the water storage reservoirs to ensure that safe and adequate levels were maintained, and on the 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.

**Summary:**

- COVID-19 protocols remained in place at Liqhobong to ensure early detection of the disease;
- 43 269 carats sold during November 2020 realising revenue of US\$3.6 million at an average value of US\$84 per carat;
- Care and maintenance cost during the quarter of US\$1.2 million was in line with budget (Q1-FY21: US\$1.2 million);
- Closing cash balance of US\$8.8 million (Q1-FY21: US\$7.3 million); and
- Standstill Agreement concluded with Absa Bank suspending capital repayment obligations to September 2021 and formal debt restructuring discussions commenced with bondholders and Absa Bank.

**Paul Bosma, Chief Executive Officer, commented:**

"During the quarter it was encouraging to see that we received better than expected results for the special stones sold at the November 2020 tender while the smaller run of mine (ROM) category was back to pre-COVID price levels. In addition, good progress was made on our debt restructuring process with the commencement of formal discussions with our two bondholders and Absa Bank, as well as the conclusion of a Standstill Agreement with Absa Bank which provides for the deferral of capital repayments under the Absa Facility Agreement to September 2021 which helpfully facilitates the debt restructuring process. We anticipate concluding this process 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 as reported previously. Rapid COVID-19 test kits were procured in order for first level screening to be carried out on the Mine and to date, no active COVID-19 cases have been detected. South Africa's alert level was raised to Level 3 during December 2020 due to an increased COVID-19 infection and mortality rate which prompted the closure of borders with

Lesotho once again. Lesotho followed by raising its alert level and confirmed the closure of its borders for all non-essential travel.

During December 2020, a total of 97 households from the villages situated adjacent to Liqhobong were provided with relief food packages on 22 December 2020. The relief packages were donated to the most vulnerable and needy households headed by elderly people or single parents.

### Care and Maintenance activities

Although temporarily disrupted during December 2020 by heavy rainfall, flooding and subsequent power interruptions, care and maintenance activities during the quarter continued to focus on asset maintenance and water management. Due to the excessive rainfall, the main focus was the discharging of excess rain water from the site through pumping and syphoning from the main water reservoirs and the main pit into the Liqhobong stream which is situated below the Mine. Culverts were installed downstream of the Mine in the Liqhobong stream to allow the village road to remain operational while the Mine discharged water.

### Financial

Cash flow for the quarter:

US\$'million	FY2021		
	YTD	Q2	Q1
Opening Cash	9.6	7.3	9.6
<b>Revenue</b>	<b>3.6</b>	<b>3.6</b>	-
Royalties	0.1	0.1	-
Care and maintenance cost	2.4	1.2	1.2
Corporate	0.8	0.3	0.5
Absa Cash interest	1.2	0.6	0.6
Net working capital inflows	0.1	0.1	-
<b>Closing cash</b>	<b>8.8</b>	<b>8.8</b>	<b>7.3</b>
Unrestricted cash (free cash)		6.0	2.8
Restricted cash:			
- Environment rehabilitation		0.9	0.9
- Absa debt service reserve account		1.9	3.6

### Operating cost

Total operating cost for the quarter of US\$1.5 million was in line with budget. Forecast care and maintenance costs (excluding debt service costs) and corporate overhead (excluding any potential restructuring cost) are expected to continue to average US\$0.4 million and US\$0.1 million per month respectively.

### Debt and financing

During December 2020 a Standstill Agreement was concluded between Liqhobong Mining Development Company (Pty) Ltd ("LMDC") and Absa Bank providing for, *inter alia*, the suspension of LMDC's capital

repayment obligations under the Absa Facility Agreement to September 2021. In terms of the Standstill Agreement, LMDC is still required to service interest due on a quarterly basis. Formal discussions commenced 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 on restructuring the Group's debt. The Company has initiated a series of required work streams in this regard and appointed a specialist independent corporate adviser to advise the Company in this regard.

### **Diamond Sales and Inventory**

As reported previously, the Company planned to split its diamond inventory (63 211 carats after cleaning) into two portions to test the market to determine the extent to which diamond values for Lihobong goods have recovered. The first portion was placed on tender in Antwerp during the first week of November 2020. This portion comprised of 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. The sale realised revenue of US\$3.6 million at an average value of US\$84 per carat. Values achieved for the larger, better quality diamonds were encouraging with all individually categorised parcels realising prices that exceeded the Company's reserve prices. ROM values were back to pre-COVID levels and on par with the previous 6 month average. The Company has 19 942 carats remaining in inventory comprising mainly smaller ROM goods which it plans to sell during the first quarter of 2021.

### **Market Outlook**

Global diamond sales continued to improve during the quarter with increases in sales prices being reported by the two major producers, De Beers and Alrosa, and by certain smaller producers. It was further noted that during early 2021, cutters and polishers were increasing their production capacity in anticipation of stable orders in Q1 as jewelry businesses and dealers sought to replenish inventories which they sold during the December 2020 holiday season and due to anticipated market activity ahead of the Chinese New Year in February.

On the supply side, it is estimated that the Argyle closure, which occurred during November 2021 and the impact of the COVID-19 pandemic could result in a reduction of more than 20% of the global supply from the market, some of which is unlikely to be replaced by either production increases from existing mines or by new mines coming on stream. The benefit of the reduction in supply is reduced to some extent in the short to medium term due to excess inventory being held by the two majors. However, the diamond pipeline is in a much better position overall with the balance of the diamond inventory shifting from the midstream to the major producers.

The positive market trend is encouraging and the Company will continue to monitor this as it prepares to sell its remaining diamond inventory during the first quarter of 2021 while working towards negotiating a sustainable balance sheet solution with its debtholders.

**For more information please visit: [www.firestonediamonds.com](http://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.