28 November 2022

Firestone Diamonds plc

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

QUARTERLY UPDATE – Q1 FY2023

Firestone Diamonds plc, which owns 75% of the Liqhobong Diamond Mine in Lesotho ("Liqhobong" or "the Mine"), provides its update for the quarter ended 30 September 2022 (Q1 of the Company's 2023 financial year).

Firestone is pleased to report the successful resumption of operations at the Liqhobong Mine after a two-and-a-half-year care and maintenance period.

For an update on operations since the Q2-FY2022 Quarterly Update dated 8 March 2022, kindly refer to the "Letter from Chair of Firestone" which is contained in Part 2, pages 23-25 of the Offer Document, dated 22 July 2022, and can be found at:

www.firestonediamonds.com/wp-content/uploads/Offer-Document.pdf

First quarter ended 30 September 2022:

Debt restructuring:

- The Bridge Facility of ZAR31.56 million (~US$2 million) was increased to ZAR182.2 million (~US$11.6 million) ("Bridge Facility") on 13 May 2022 to fund restart activities; and
- A non-binding term-sheet was signed on 26 September 2022 by Absa/ECIC and Liqhobong in respect of the restructuring of the US$82.4 million Senior Secured Term Facility ("Existing Facility"), with an outstanding balance of approximately US$67.6 million, the refinancing of the ZAR182.2 million (~US$11.6 million) Bridge Facility, and the provision of an US$11.4 million ZAR equivalent Working Capital Facility.

Mine restart:

- COVID-19 protocols remained in place at Liqhobong, including the use of rapid test kits to ensure early detection of the disease;
- Restart activities continued following the decision on 7 July 2022 to restart the Mine;
- The long-term mining contractor, Turnkey Civils Lesotho (Pty) Ltd ("TCL"), was appointed on 15 July 2022 and immediately began mobilising equipment to site and commenced mining activities from 1 August 2022;
- Required staff were appointed, with 97% of the staff returning to previous positions;
- Early-stage ore treatment commenced on a single day-shift from 15 August 2022; and
- The operational ramp-up proceeded smoothly and according to plan.

Operations:

- Lost time injury free quarter;
- Diamond recoveries of 34 997 carats;
- Grade of 25.6 carats per hundred tonnes ("cpht");
- 136 963 Ore tonnes treated;
- 199 654 Waste tonnes moved;
- Care and maintenance cost for Q1-FY2023 of US$1.2 million, in line with expectation (Q4-FY2022: US$0.9 million);
- Ramp-up cost for Q1-FY2023 of US$2.2 million; and
- Closing cash balance of US$3.5 million (Q4-FY2022: US$5.0 million).

Guidance for FY2023:

- Diamond recoveries of between 620 000 and 650 000 carats;
- Ore tonnes treated of between 2.5 and 2.7 mt;
- Waste tonnes moved of between 3.6 and 4.0 mt; and
- Operating cost of between US$15.50 and US$16.50[1] per tonne treated.

1-Based on an average Rand:US Dollar exchange rate of R15.93

Highlights post period end:

- Continuous operations commenced from 1 October 2022;
- First blast of fresh ore took place on 8 October 2022;
- First sale since recommencing operations was concluded on 14 October 2022 realising total proceeds of US$2.0 million from the sale of 25,224 carats at an average value of US$80.60 per carat. The average value realised was approximately 10 per cent. higher than the historical average value even though the sale included fewer better quality, higher value diamonds;
- Paul Bosma, non-executive director, resigned from the board of the Company with effect from 1 November 2022; and
- Roberto De Pretto, Chief Executive Officer, and Ian Maxwell, a Pacific Road Capital nominee, were appointed to the board of directors of the Company on 2 November 2022.

Rob de Pretto, Chief Executive Officer, commented:

"The Company's financial position remains very challenging with its high debt levels and whilst we seek to repay this heavy debt burden over time, subject to continuing favourable market conditions, we expect this to take a considerable length of time.

"Notwithstanding this, I am pleased to report on the successful recommencement of operations at Liqhobong after a two-and-a-half-year period of care and maintenance. The smooth ramp-up is testament to the excellent work that was done by a small on-site maintenance team during the care and maintenance period.

“I was especially pleased to welcome the Lesotho Minister of Mining on site on 15 August 2022, to witness the excitement of restarting the Liqhobong Mine which is an important operation to the Kingdom of Lesotho and to the staff, contractors and communities which it supports.

“On behalf of the board, I would like to thank the Lesotho Government, and our bankers, Absa Bank Limited (“Absa”) and its insurer, the Export Credit Insurance Corporation of South Africa (“ECIC”), and our majority shareholder, Pacific Road Capital, for their continued support which was crucial in making the recommencement of activities possible. I would also like to extend my gratitude to our staff and contractors who worked tirelessly during the care and maintenance period on maintaining the plant and assets in good working order, to our management team involved in the refinancing activities, and to everyone involved in making the smooth resumption of activities a reality.”

Restart activities

Resuming production at Liqhobong

Throughout the two-and-a-half-year care and maintenance period which commenced from March 2020, management remained mindful that any potential restart of activities would be required to take place at minimal cost and in the shortest possible timeframe. In order to achieve this, a number of work-streams were run in parallel, including, particularly, appointing a long-term mining contractor and essential staff. Due to the progress made with the lenders by mid-May 2022, a decision was finally taken on 7 July 2022 to restart operations at the Mine. The long-term mining contractor, TCL was appointed shortly thereafter and former-staff members were contacted and re-appointed where possible. The Mine was fortunate in that up to 97% of the mines ex-employees returned to their previous positions, thus ensuring operational continuity.

A structured restart program was adopted, which provided that each section of the production plant (which had been maintained by the small on-site maintenance team during care and maintenance period) was thoroughly tested, first on a dry run basis, followed by increased load with the introduction of water, a process called wet commissioning. Finally, once all sections were thoroughly tested and the few minor issues identified and repairs completed, the plant was run with a full load (hot commissioned) prior to the introduction of ore.

During the care and maintenance period, and to prepare the Mine for the shortest possible restart time, a stockpile of 245 000 tonnes of previously blasted ore was reworked to the required size using existing equipment that was on-site. The broken ore provided sufficient feedstock to the plant, which operated on a single shift from 15 August 2022. The 245 000 tonnes was estimated to provide feedstock for a period of 60 days. This allowed TCL sufficient time to mobilise and site establish its extensive fleet of excavators, loaders and dump-trucks ahead of commencing full-scale mining operations scheduled to take place from 1 October 2022.

Operations

During the quarter ended 30 September 2022, Liqhobong treated 136 963 tonnes of ore and moved 199 654 tonnes of waste as part of the restart program. A total of 34 997 carats was recovered at a grade of 25.6 cpht which was higher than the planned grade of 17.7 cpht, mainly due to processing historic tailings material which contained a high quantity of smaller, lower quality diamonds.

Safety, Health, Environment & Community

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

Liqhobong continued to adhere to COVID-19 protocols and 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 were vaccinated as part of the Lesotho Government's COVID-19 program.

Debt restructuring activities

Absa and ECIC's Independent Advisor completed its due diligence on the Liqhobong Mine in February 2022, and reported back to Absa and ECIC, confirming the viability of the business and recommending debt restructuring and refinancing alternatives.

Subsequent to the advance of the Bridge Facility on 13 May 2022 to facilitate the operational restart of the Mine, a non-binding term-sheet was signed on 26 September 2022 which provides for the restructuring of the Existing Facility with an outstanding balance of approximately US$67.6 million into a Senior Secured Term Facility ("Facility A") of US$20.5 million and a Subordinated Senior Secured Term Facility ("Facility B") of US$47.1 million, the ~US$11.6 million refinancing of the Bridge Facility ("Facility C"), and the provision of a US$11.4 million ZAR equivalent Working Capital Facility.

It is envisaged that the restructuring and refinancing will be completed by Q3-FY2023 as drawdown against the US$11.4 million Working Capital Facility is forecast to be required during Q2-FY2023. Further updates regarding the restructuring will be provided in due course.

Financial

Cash flow for the period:

	FY2023	FY2022	FY2022
US$'million	**Q1**	Q4	Q3
Opening cash	5.0	2.3	2.2
Inflows			
Revenue	-	-	-
DRA award	-	2.6	-
Restart funding received	2.5	1.6	1.6
Outflows			
Royalties	-	-	-
Care and maintenance cost	1.2	0.9	1.0
Ramp-up cost	2.2	0.1	-
Corporate	0.9	0.5	0.4
Net working capital outflow/(inflow)	(0.3)	-	0.1
Closing cash	**3.5**	**5.0**	**2.3**
Unrestricted cash (free cash)	2.5	4.0	1.3
Restricted cash:			
- Environmental rehabilitation	1.0	1.0	1.0

Debt outstanding as at 30 September of US$121.6 million comprised:

	US$'million
Absa senior debt (subject to restructure)	67.6
Restart Facility	5.8
Eurobonds	48.2
Total debt	**121.6**

Operating cost

Care and maintenance cost for the quarter ended 30 September 2022 was within expectation at US$1.2 million.

Ramp-up costs for the quarter of US$2.2 million related mainly to early mining cost of the 245 000 tonnes of previously blasted ore, staff reappointment, and mobilisation cost associated with the new mining contractor.

Corporate cost for the period of US$0.9 million was in line with expectation.

Market Outlook

Several diamond miners have reported a softening in the diamond market since a very strong start to the third quarter of 2022. However, solid market fundamentals continue to support diamond prices going forward despite growing concerns and uncertainties in the global economy, including the ongoing war in Ukraine, rising inflation and the impact of the Covid-19 pandemic, which continues to result in restrictions, particularly in China. Subsequent to the period-end, the Company received strong prices for its run-of-mine ("ROM") goods, which comprise ~70% of Liqhobong's assortment by volume and the tender was well attended.

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

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Rob de Pretto

Grant Ferriman

Background information on Firestone

Firestone is a UK registered diamond mining company with an operation in Lesotho. Firestone owns 75% of Liqhobong with the remaining 25% owned 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.