

RNS Number : 4876J  
 Firestone Diamonds PLC  
 31 March 2010

**Firestone Diamonds plc**  
**Unaudited interim results for the six months to 31 December 2009**

LONDON: 31 March, 2010

The Board of Firestone Diamonds plc, ("Firestone" or "the Company"), the AIM-quoted diamond mining and exploration company (ticker: AIM:FDI), announces unaudited interim results for the six months to 31 December 2009.

**HIGHLIGHTS**

**BK11 Kimberlite Project**

- Mine development decision made in December 2009
  - Mining Lease application submitted in Q1 2010; expected to be granted shortly
  - Production expected to start on schedule in Q2 2010
- Pit optimisation and mine planning studies commenced in Q1 2010
  - Mine plan of 11.5 Mt of kimberlite at an average grade of 8.5 cpht
  - Total production estimate increased 22% to 1 million carats
  - Value of BK11 diamonds increased 13% to \$155/carats since December 2009
- In discussions with the Company's bankers in Botswana re additional capital requirement of £2m

**Orapa Satellite Kimberlites**

- Joint venture signed with Tawana Resources
- Increases kimberlites in Firestone's portfolio in the Orapa area to 18, of which 12 are diamondiferous

**Jwaneng Tailings Project**

- Detailed capital and operating cost proposals submitted to Debswana in Q1 2010
- Company awaiting a final response from Debswana and expects to be able to update shareholders shortly

**Namdeb Toll Treatment Project**

- Selected by Namdeb for the Dredge and Floating Treatment Plant project
- Firestone and Namdeb jointly completing feasibility study for review and approval by Namdeb board
- Plant to have a capacity of 11.5 million tonnes per annum and 15 year minimum life.

**Financial**

- £7.2 million equity financing completed in July 2009
- Company intends to list on the Botswana Stock Exchange in Q2 2010

Philip Kenny, CEO of Firestone Diamonds, commented: "With BK11 coming into production in Q2 2010, Firestone is poised to become one of only three kimberlite producers worldwide outside of the major mining companies. Together with our extensive portfolio of kimberlites in the Orapa and Tsabong kimberlite fields, the toll treatment opportunities that the Company has, and the significant shortfall in rough diamond supply projected in the coming years, we are confident about Firestone's future prospects in Botswana.

For further information, visit the Company's web site or contact:

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**Dear Shareholder,**

The period saw good progress in the development of Firestone's project portfolio in Botswana, which is the world's largest and lowest cost producer of diamonds. Firestone is the largest holder of diamond exploration rights in Botswana's kimberlite fields, with approximately 25,000 square kilometres now under license, and has 95 known kimberlites within its licence areas.

Activities during the period were primarily focused on the BK11 kimberlite in the Orapa area. In December 2009 the Company announced that the final phase of resource evaluation work on BK11 had been completed with positive results and that a decision had been made to commence mine development.

Production at BK11 is expected to start on schedule in Q2 2010. However, additional capital of approximately £2 million is required to cover additional items of equipment acquired and investment undertaken in Q1 2010 to facilitate expansion of plant capacity at BK11, sterling's depreciation of approximately 15% against the South African Rand and Botswana Pula since July 2009, and investments in the development of the Company's toll treatment opportunities in Botswana and South Africa. Discussions are at an advanced stage with the Company's

bankers in Botswana in relation to this shortfall.

Detailed pit optimisation and mine planning studies were initiated in Q1 2010, and initial results have recently been received. Based on plans for selective mining and the presence of high grade grain flow deposits, the BK11 mine plan is now expected to result in approximately 11.5 Mt of kimberlite being mined at an average grade of 8.5 carats per hundred tonnes ("cpht"), giving total production of approximately 1 million carats, a 22% increase on previous estimates. The overall value of BK11 diamonds is estimated to have increased approximately 13% since December 2009 to \$155/carat.

In the KW area, where the current mining pit is located, approximately 5.6 Mt of kimberlite is expected to be mined at an average grade of 12.5 cpht and a diamond value of \$175/carat. With revenue estimates of over \$20 per tonne and with low operating costs in the Orapa area of approximately \$6.50 per tonne, mining of the KW area at BK11 is expected to produce revenues of approximately \$30 million per annum at operating margins of over 65%. Any further increases in diamond prices, which the Company believes are likely to occur as a result of a projected shortfall in diamond supply in the coming years, would add substantially to the expected profitability of BK11.

The mine planning and pit optimisation studies also indicate that stripping of the near-surface, low grade kimberlite that was originally planned for years two and three will need to be brought forward into year one in order to expose sufficient high grade kimberlite in the KW area to support the proposed mine plan. These studies are still being reviewed, but are expected to be finalised in the coming weeks.

The Company has also continued to pursue new toll treatment projects. Negotiations with Debswana Diamond Company ("Debswana") in relation to the Jwaneng Tailings project were expected to be concluded in Q1 2010. Detailed proposals were submitted to Debswana in respect of the Company's proposed capital and operating charges for the project during the quarter. The Company is awaiting a final response from Debswana and expects to be able to update shareholders in relation thereto shortly. During Q1 2010 the Company also announced that it had been selected by Namdeb Diamond Corporation ("Namdeb") as the preferred supplier and operator for the Dredge and Floating Treatment Plant project at Namdeb's diamond mining operations on the south west coast of Namibia. No further expenditure is planned in respect of the Jwaneng and Namdeb toll treatment projects until contractual arrangements have been finalised.

While we are disappointed not to have met our budget for BK11, we plan to finalise arrangements to ensure that the required funds are put in place as soon as possible. We are only months away from commencing production on schedule and are still on target to reach full production capacity by the end of 2010. To put a new mine into operation at BK11 just over 3 years from being granted a prospecting licence, and at a much lower cost than comparable operations elsewhere, will have been a significant achievement by any measure.

#### ***BK11, Botswana***

In July 2009 the Company commenced work on the final phase of evaluation on BK11. The primary objective of this work was to recover a sufficiently large parcel of diamonds in order for a high confidence diamond valuation to be obtained and to allow a mine development decision to be made. The quality of diamonds recovered from the bulk sampling trench was very good, comprising mostly clear white gemstones and very little boart. A parcel of approximately 500 carats was independently valued in December 2009 and resulted in an overall modelled value of \$137/carat and a modelled value of \$157/carat for the KW area, which is the area initially targeted for mine development. The BK11 diamond values are considered to be high for kimberlite production. The Company expects that average diamond size will increase as mining progresses into the grain flow deposits that have been identified at depth, and that diamond values will increase accordingly. Based on these results, the Company announced in December 2009 that it intended to proceed to mine development on BK11.

Significant progress has been made since the beginning of 2010. Production is expected to commence on schedule in Q2 2010 with a plant capacity of approximately 650,000 tonnes per annum, increasing to full production capacity of 1,500,000 tonnes per annum in Q3 2010. A Mining Lease application was completed and submitted to the Department of Minerals, Energy & Water Resources during Q1 2010, and the Company expects that granting of the Mining Lease will not delay the current scheduled production start up date.

Detailed pit optimisation and mine planning studies were initiated in Q1 2010 and initial results have recently been received. Based on plans for selective mining and the presence of high grade grain flow deposits, the BK11 mine plan is now expected to result in approximately 11.5 Mt of kimberlite being mined at an average grade of 8.5 carats per hundred tonnes ("cpht"), giving total production of approximately 1 million carats, a 22% increase on previous estimates, over a 10 year mine life. The overall value of BK11 diamonds is estimated to have increased approximately 13% since December 2009 to \$155/carat. In the KW area, where the current mining pit is located, approximately 5.6 Mt of kimberlite is expected to be mined at an average grade of 12.5 cpht, and the current diamond value is estimated to be \$175/carat.

The mine planning and pit optimisation studies also indicate that stripping of the near-surface, low grade kimberlite that was originally planned for years two and three will need to be brought forward into year one in order to expose sufficient high grade kimberlite in the KW area to support the proposed mine plan. These studies are still being reviewed by the Company, but are expected to result in some development costs being brought forward into the first year of operation from years two and three. A further announcement on the finalised mine plan will be made in due course.

#### ***Orapa Satellite Kimberlites***

The Company's objective in the Orapa region is to use the new mining operation at BK11 as the centre of a satellite mining operation that would exploit multiple kimberlites in the area. During the period the Company entered into a joint venture agreement with Tawana Resources NL ("Tawana") over Tawana's kimberlite exploration and evaluation projects in Botswana, under which Firestone could earn up to an 85% interest in any kimberlites in Tawana's prospecting licences.

With the addition of the 8 kimberlites in Tawana's licence area, the total number of kimberlites in Firestone's portfolio in the Orapa area has increased to 18. Twelve of these kimberlites have been proven to be diamondiferous, with BK16 and BK24 being the most advanced of these. Core and large diameter drilling will be undertaken on the most prospective of the satellite kimberlites later in 2010 once cash flows from BK11 allow. The Company believes that it has the potential to develop a sizeable operation in the Orapa area based around BK11 and its Orapa satellite kimberlites.

#### ***Jwaneng Tailings Project***

In Q1 2009, Firestone announced that it and ADP Projects ("ADP") had been selected by Debswana as the preferred bidders to supply, construct and operate a modular tailings treatment plant at the Jwaneng Mine in Botswana on a toll treatment basis. Debswana is a joint venture between the Government of the Republic of Botswana and De Beers and is the world's leading diamond producer by value.

The Jwaneng plant is intended to serve as a pilot facility to demonstrate the economics and capability of the modular plant concept on the Jwaneng tailings resource, which is estimated to be in excess of 30 million tonnes. The plant is being designed by ADP, with whom Firestone has a strategic alliance to jointly design, build and operate modular diamond tailings processing plants.

Negotiations with Debswana Diamond Company ("Debswana") were expected to be concluded in Q1 2010. During the quarter the Company submitted detailed proposals to Debswana in respect of the proposed capital and operating charges for the project. The Company is awaiting a final response from Debswana and expects to be able to update shareholders in relation thereto shortly.

The successful implementation of this project could potentially lead to the deployment by Firestone of similar plants to exploit additional tailings resources at Debswana's other mines at Orapa and Lethakane. With the total tailings resources at Debswana's mines estimated to be approximately 300 million tonnes, the Directors estimate that they represent a very significant revenue opportunity for the Company.

#### **Namdeb Toll Treatment Project**

In Q1 2010 the Company was selected by Namdeb as the preferred supplier and operator for the Dredge and Floating Treatment Plant ("FTP") project at Namdeb's diamond mining operations on the south west coast of Namibia. Namdeb is a joint venture between the Government of the Republic of Namibia and De Beers and is the world's 6<sup>th</sup> largest diamond producer by value. The area selected to be mined by the FTP is in Mining Area 1 close to the mouth of the Orange River and extends from a bedrock elevation of five metres above to 15 metres below sea level. The FTP will have a target production capacity of 11.5 Mt per annum and will be designed for a minimum 15 year life.

Firestone and the Namdeb FTP project team have commenced work on revising Namdeb's feasibility study for the project to reflect current capital costs and Firestone's projected operating costs, with Firestone being paid an agreed price per tonne of material processed. Once the feasibility study has been completed it will be presented to the board of Namdeb for approval, subject to which Firestone and Namdeb will conclude formal contract negotiations and the project would move into the execution phase, with a target date for commencement of production of 2012. The feasibility study is expected to be completed and presented to the Namdeb board later in 2010.

#### **Tsabong**

Tsabong is the Company's biggest kimberlite exploration and evaluation project. It contains 85 known kimberlites, of which 18 have been proven to be diamondiferous, including the 180 hectare MK1 kimberlite which is one of the world's largest known diamondiferous kimberlites. With over 80 geophysical drill targets identified to date, the likelihood of new discoveries being made is very good and the Company believes that the Tsabong kimberlite field has significant economic potential. No work was undertaken at Tsabong during the period under review.

#### **Financial**

In July 2009 the Company raised £7.2 million from a share placement to finance the development of its projects in Botswana and to provide general working capital for the Company. As outlined above, the Company plans to secure additional funding to cover the remaining capital required to complete BK11 mine development and a further announcement in this respect will be made in due course.

In Q1 2010 the Company announced that it intends to apply for a secondary listing of shares in the Company on the Botswana Stock Exchange. The secondary listing application is expected to be made shortly, and listing is expected to take place in Q2 2010.

James F Kenny  
Chairman

31 March 2010

#### **Unaudited consolidated financial statements for the six month period to 31 December 2009**

##### **Consolidated Income Statement**

	<b>Six months ended 31 December 2009 £'000</b>	<b>Six months ended 31 December 2008 £'000</b>	<b>Year ended 30 June 2009 £'000</b>
<b>Revenue</b>	-	3,652	4,034
Changes in inventories	-	(30)	-
Raw materials and consumables used	(96)	(946)	(170)
Employee benefits expense	(134)	(459)	(801)
Amortisation and depreciation	(533)	(457)	(640)
Impairment of mineral rights	332	(2,591)	(8,773)
Impairment of goodwill	-	-	(2,473)
Other operating expenses	(605)	(297)	(1,728)
Share issue expenses	(380)	-	-
<b>Operating loss</b>	<b>(1,416)</b>	<b>(1,128)</b>	<b>(10,551)</b>
Financial income	19	49	117
Financial expense	(7)	(181)	(324)
<b>Loss before tax</b>	<b>(1,404)</b>	<b>(1,260)</b>	<b>(10,758)</b>
Taxation	-	131	(233)

<b>Loss for the period</b>		<u>(1,404)</u>	<u>(1,129)</u>	<u>(10,991)</u>
<b>(Loss)/profit attributable to:</b>				
Owners of the parent		(1,502)	-	-
Non-controlling interest		98	-	-
<b>Loss for the period</b>		<u>(1,404)</u>	<u>(1,129)</u>	<u>(10,991)</u>
<b>Basic loss per share – pence</b>	5	<u>(1.6p)</u>	<u>(1.8p)</u>	<u>(17.9p)</u>
<b>Diluted loss per share – pence</b>	5	<u>(1.6p)</u>	<u>(1.8p)</u>	<u>(17.9p)</u>

All amounts relate to continuing operations.

<b>Consolidated statement of financial position</b>	<b>31 December 2009 £'000</b>	<b>31 December 2008 £'000</b>	<b>30 June 2009 £'000</b>
<b>Non-current assets</b>			
Goodwill	-	2,058	-
Intangible mining assets	17,848	12,532	15,485
Property, plant and equipment	11,091	12,572	8,771
Deferred tax asset	-	350	-
	<u>28,939</u>	<u>27,512</u>	<u>24,256</u>
<b>Current assets</b>			
Inventories	29	281	29
Trade and other receivables	988	3,634	586
Cash and cash equivalents	2,438	1,566	1,019
	<u>3,455</u>	<u>5,481</u>	<u>1,634</u>
<b>Total assets</b>	<u>32,394</u>	<u>32,993</u>	<u>25,890</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to ordinary shareholders</b>			
Share capital	19,521	12,346	12,346
Share premium	22,768	22,768	22,768
Merger reserve	(1,076)	(1,076)	(1,076)
Translation reserve	1,755	(3,064)	(703)
Accumulated losses	(15,303)	(3,220)	(12,905)
<b>Total equity attributable to ordinary shareholders</b>	<u>27,665</u>	<u>27,754</u>	<u>20,430</u>
Non-controlling interests	98	-	-
<b>Total equity</b>	<u>27,763</u>	<u>27,754</u>	<u>20,430</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	1,491	2,273	1,864
Deferred tax	-	124	-
Provisions	-	128	188
	<u>1,491</u>	<u>2,525</u>	<u>2,052</u>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	1,146	1,112	1,137
Trade and other payables	1,354	1,002	1,361
Current tax liabilities	-	11	-
Provisions	640	589	910
	<u>3,140</u>	<u>2,714</u>	<u>3,408</u>
<b>Total equity and liabilities</b>	<u>32,394</u>	<u>32,993</u>	<u>25,890</u>



Consolidated statement of cash flows	Six months ended 31 December 2009 £'000	Six months ended 31 December 2008 £'000	Year ended 30 June 2009 £'000
<b>Cash flows from operating activities</b>			
Loss before tax	(1,404)	(1,260)	(10,758)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	609	3,542	11,791
Effect of foreign exchange movements	642	327	894
Interest payable	7	181	323
Share-issue costs expensed	380	-	-
Equity-settled share-based payment	144	166	343
Effect of non-controlling interests	98	-	-
Net cash flow from operating activities before changes in working capital and provisions	476	2,956	2,593
Decrease in inventories	-	30	26
(Increase)/decrease in trade and other receivables	(46)	(2,304)	737
Decrease in trade and other payables	(551)	(483)	(322)
(Increase)/decrease in provisions	(270)	(71)	180
<b>Cash generated from/(absorbed) by operating activities</b>	<b>(391)</b>	<b>128</b>	<b>3,214</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(2,241)	(654)	(1,268)
Payments for non-current intangible assets	(2,256)	(3,097)	(5,635)
Net cash from investing activities	<b>(4,497)</b>	<b>(3,751)</b>	<b>(6,903)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	7,175	5,000	5,000
Share issue expenses	(380)	(334)	(334)
Proceeds from long-term borrowings	-	870	900
Repayment of long-term borrowings	(357)	(594)	(905)
Repayment of lease finance-	(7)	-	(11)
Interest paid	(124)	(134)	(323)
<b>Net cash from financing activities</b>	<b>6,307</b>	<b>4,808</b>	<b>4,327</b>
Net increase in cash and cash equivalents	1,419	1,185	638
Cash and cash equivalents at the beginning of the period	1,019	381	381
<b>Cash and cash equivalents at the end of the period</b>	<b>2,438</b>	<b>1,566</b>	<b>1,019</b>

#### 1 Corporate information

Firestone Diamonds Plc ("the Company") is a company incorporated in England and Wales and quoted on the London Stock Exchange's Alternative Investment Market.

#### 2 Basis of preparation

These condensed interim financial statements of the Company and its subsidiaries ("the Group") for the six month period ended 31 December 2009 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited financial statements for the year ended 30 June 2009.

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 30 June 2009. The auditors' opinion on these Statutory Accounts was unqualified.

While the financial figures included within this half-yearly report have been computed in accordance with IFRSs applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as set out in IAS34.

The comparative figures presented are for the six months ended 31 December 2008 and the year ended 30 June 2009.

#### 3 Total comprehensive income

There are no additional items of income and expense which are not included within the profit and loss for the period.

#### 4 Segmental analysis

A segment is a distinguishable component of the Group that is engaged in providing products or services in a particular business sector (business segment) or in providing products or services in a particular economic environment (geographic segment), which is subject to risks and rewards that are different to those in other segments. The Group operated during the period in one segment, diamond mining, exploration and development, and in one principal geographic area - Southern Africa. Operations in South Africa and Botswana are considered to be linked operations.

The Group also conducts business within the U.K., including the ad hoc raising of funds which are subsequently passed to subsidiary companies, and incurring of expenditure in relation to the Company's activities as a holding company. None of this activity is considered to be significantly different to the principal activity of the Group within the Southern African region.

Financial reports received by the Board are compiled as relating to the single activity based in Southern Africa.

#### 5 Earnings per share

The calculation of the basic loss per share for the six month period ended 31 December 2009 is based upon the following:

Six months ended 31 December 2009 £	Six months ended 31 December 2008 £	Year ended 30 June 2009 £

Loss per share - pence	<u>(1.6p)</u>	<u>(1.8p)</u>	<u>(17.9p)</u>
Loss attributable to shareholders of the parent	<u>£1,502,000</u>	<u>£1,129,000</u>	<u>£10,991,000</u>
Weighted average number of shares in issue	<u>93,121,489</u>	<u>60,932,961</u>	<u>61,329,293</u>

The diluted loss per share for all periods is the same as the basic loss per share as the losses have an anti-dilutive effect.

**6 Dividend**

The directors are not declaring a dividend for the period.

- 7** The information in this statement has been reviewed by Mr. Tim Wilkes, B Sc, Pr Sci Nat, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr Wilkes is Chief Operating Officer of Firestone Diamonds plc and has over 25 years' experience in diamond exploration, mineral resource management and mining. Mr. Wilkes is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).

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